FACTORS AFFECTING BRAND EQUITY: A STUDY OF SELECT INTERNATIONAL LUXURY APPAREL BRANDS IN INDIA

THESIS

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2011

CERTIFICATE

This is to certify that the thesis titled "**Factors Affecting Brand Equity: A Study of Select International Luxury Apparel Brands in India**" submitted to the Faculty of Management Studies and Research, Aligarh Muslim University, Aligarh, India, in partial fulfilment of the requirements for the award of the degree of **PhD in Business Administration** is a record of original work done by **Mr. Rajesh Sharma** during the period of his study in the Department of Business Administration, Faculty of Management Studies and Research, Aligarh Muslim University, Aligarh, India, under my supervision and guidance. To the best of my knowledge, the thesis has not formed the basis for the award of any Degree / Diploma / Fellowship or similar title to any candidate of any university.

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THESIS

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DECLARATION

I do hereby declare that the thesis titled **'Factors Affecting Brand Equity: A Study of Select International Luxury Apparel Brands in India'** submitted to the Faculty of Management Studies and Research, Aligarh Muslim University, Aligarh for the **Degree of PhD in Business Administration** is a record of original work done by me under the supervision and guidance of Dr. Mohammed Naved Khan, Faculty of Management Studies and Research, Aligarh Muslim University (Internal Supervisor), and Dr Amit Mookerjee, Associate Professor (Marketing), IIM-L Noida Campus, Noida (External Supervisor) and it has not previously formed the basis for the award of any degree, diploma, fellowship or other similar title to any candidate of any University.

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TO MY PARENTS

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PREFACE

India is one of the emerging economies of the world along with China, Brazil, Russia and other countries of Asia and Latin America that are performing well on the economic front in terms of economic growth and rise in affluence levels of its citizens. This development has created a set of consumers that is not bereft of monetary power along with the already existing affluent group. These consumers flush with money and the attitude to flaunt their success along with the earlier affluent group are aspiring to relish their new found status and seek prestige through their every action along with maintaining their exclusivity. In such a situation the most visible mode of attaining prestige, exclusivity and status in society is through acquisition of luxury goods, which they know very well but have now acquired the financial strength and accessibility to attain it due to the liberalized economy that has facilitated the entry of global luxury brands into the Indian market. Thus luxury, as a concept and a material good, is an obsession of today's Indian consumer society. As a result, luxury goods product management has become an important area of marketing of particular interest to both researchers & practitioners.

Clothing has been understood by social scientists to have very similar social and psychological functions, as can be readily observed in the dress codes of the young and others who use their choice of attire as a means to communicate their being part of a social sub-group. Within these circumstances, clothing choice acts as a "social glue", denoting group membership and conformity, as well as group alienation. Within this representative context, the branding of clothing has been found to function as a "communicative short-hand" that acts as an immediate and public device to denote group membership and signifies the values and aspirations of the brand wearer.

Clothing theorists have devoted considerable attention to understanding the motivations and behaviours of various consumer types such as fashion innovators. This body of research has focused on a wide range of topics such as values, attitudes and behaviours. Fashion involvement per se, and particularly a broader array of types of involvement in fashion clothing (product, purchase decision etc) has not been extensively studied.

Research examining branding within the fashion retailing sector remains at an incipient stage, and that which looks at the branding of high fashion appears not to exist. This research neglect is somewhat anomalous given that of all consumer product markets, high fashion is perhaps the one most readily associated with branding. It is often highly successful, as measured by customer recognition levels, the premium prices that these can command in addition to the extent to which these brands can be applied across a range of product categories. Moreover, there is a limited body of research on creating brand equity for luxury apparel brands. Given that luxury clothing can fulfill a number of functions beyond mere functional performance such as warmth or protection, research is potentially an important area for luxury apparels as it often represents an important symbolic consumption decision of consumers.

The marketing of luxury goods products is an area of both the academic and practitioners marketing literature that has received little attention and is relatively sparse. Much research can be done in the area of brand equity management for luxury brands in India, as research in this area has only scratched the surface so far. Existing research only suggests that luxury marketers face unique challenges in creating and maintaining these brands. However, recent evidence also suggests that the luxury market is undergoing change. An understanding of how luxury apparel marketers can build brands in India, and maintain their positioning would make a contribution to both the marketing and branding literature.

Conceptually, the study enriches the literature by using more variables in the Brand Equity Creation Model. International luxury apparel brands were used as product stimuli in this study. Mall intercept survey was conducted to collect data in the cities of Delhi, Gurgaon, Faridabad , Noida. & Chandigarh. Of the 650 responses, 618 were considered valid and were used in this study. The model expands Yoo *et al.*'s (2000) framework by including more activities and examining more detailed practices in order to more systematically examine the relationship between marketing efforts and brand equity.

LIST OF FIGURES

Chapter 1: Introduction

1.1	Country Comparison Based on GDP & Number of HNIs	14
1.2	Projected Growth of Luxury Market in India	15

Chapter 2: Review of Literature

2.1	Three Levels of Prestige	33
2.2	Conceptual Model of Luxury	42
2.3	Brand Hexagon	45
2.4	CBBE Pyramid	61
2.5	Aaker's Brand Equity Model	62
2.6	Attitude / behavior Based Loyalty Types	71
2.7	The Loyalty Pyramid	73
2.8	Involvement / Perceived Differences Based Loyalty Types	74
2.9	Types of Brand Associations	83
2.10	A Brand Personality Framework	86
2.11	Luxury Goods & Consumer Perception	91

Chapter 3: Conceptual Framework & Hypotheses Development

3.1	Aaker's Brand Equity Model	115
3.2	The Conceptual Framework of Brand Equity	116
3.3	Proposed Model to Evaluate Effect of Marketing Activities on BE Dimensions	117

Chapter 4: Research Methodology

4.1	Schematic Diagram for Research Process	131

Chapter 5: Data Analysis

5.1a	Scree Plot (37 Item Scale)	171
5.1b	Scree Plot (35 Item Scale)	171
5.2	Multidimensionality Assessment of CBBE Construct	180
5.3	Nomological Validity Measurement Model	187
5.4	Proposed Model to Evaluate Effect of Marketing Mix Elements on Brand Equity & its Dimensions	189
5.5	Standardised Coefficients of Proposed Structural Equation Model	191

LIST OF TABLES

Chapter 1: Introduction

1.1	The Functions of the Brand for the Consumer	8
1.2	Indian Luxury Market Size (2007-09)	14
1.3	Luxury Market in Developed and Developing Countries	14
1.4	Indian Domestic Apparel Market: 2009 vs 2015	21

Chapter 2: Review of Literature

2.1	Six Main Facets of Luxury	37
2.2	Shift from Traditional Brand Management to Brand Asset Management	46
2.3	Summary of Brand Definitions and Descriptions	48
2.4	The Era of Brand Loyalty	75
2.5	Five Prestige Values & Relevant Motivations	92
2.6	Definitions of Store Image	99
2.7	Comprehensive Literature Review of Store Image Dimensions	102

Chapter 4: Research Methodology

4.1	Measures of Brand Equity & its Dimensions	139
4.2	Measures of Marketing Efforts	141
4.3	Brands Considered for the Study and Country of Origin (COO)	143
4.4	Summary of the SEM Fit Indices with their Acceptable Thresholds	158

Chapter 5: Data Analysis

5.1	Different Waves & Corresponding Respondents	161
5.2	Brands Considered, Country of Origin, and Responses for Waves III & IV	162
5.3	Sample Characteristics (N=618)	162
5.4	Chronbach Alpha of Constructs in Different Stages	164
5.4.1	Coding Schema for Different Items	165
5.5	Descriptive Statistics in Different Stages	166
5.6	Items Retained in Different Stages	167
5.7	KMO and Bartlett's Measures	168
5.8	Initial Eigen Values	169
5.9	Exploratory Factor Analysis (Stage 2)	172
5.10	Item Statistics (35-Item Scale)	173
5.11	Results of Exploratory Factor Analysis (35-item scale)	175
5.12	Results of Exploratory Factor Analysis (35-item scale)	176
5.13	Skewness & Kurtosis	178
5.14	Fit Statistics of the Measurement Model	184
5.15	CR & AVE of Different Constructs	184

5.16	Correlations Among Constructs	186
5.17	Diagonal Matrix	187
5.18	Fit Statistics of the Measurement Model	187
5.19	Significance of Predictor Variables in Nomological Validity	188
5.20	Fit Statistics of the Measurement Model	190
5.21	Hypotheses Testing for Relationship between Brand Equity, Its Dimensions & Marketing Activities	192
5.22	Relationship from Marketing Activities to Brand Equity Dimensions	194
5.23	Summary of Relationship between Brand Equity & Brand Equity Dimensions	195
5.24	Summary of Relationship between Marketing Efforts & Brand Equity Dimensions	195
5.25	Summary Results of Hypotheses Testing	196

Chapter 7: Theoretical Contributions & Managerial Implications

7.1	Results of Hypothesized Relationships between Different Constructs	208
7.2	Summary of Recommendations	230

TABLE OF CONTENTS

Acknowledgements i
Preface ii
List of Figures iv
List of Tables v

Chapter 1: Introduction

1.1	Brands & Brand Equity	4
1.2	Luxury	9
1.3	Indian Apparel Market	20
1.4	Research Issues	21
1.5	Research Objectives	24
1.6	Scope of the Study	25
1.7	Rationale of the Study	26
1.8	Chapter Schema	31

Chapter 2: Review of Literature

2.1	Luxury	32
2.2	Brands & Brand Equity	43
2.3	Marketing Efforts & Brand Equity	88

Chapter 3: Conceptual Framework & Hypotheses Development

3.1	Theoretical Perspective	114
3.2	Hypotheses Development	118

Chapter 4: Research Methodology

4.1	Key Research Paradigms	126
4.2	Research Process	131
4.3	Research Design	132
4.4	Survey Research Methodology	132
4.5	Development of The Questionnaire	135
4.6	Pilot Survey	142
4.7	Product Stimuli Selection	143
4.8	Data Collection Procedures	144
4.9	The Sample	144
4.10	Data Editing and Coding	146
4.11	Missing Data and Outliers	147
4.12	Data Analysis	147

Chapter 5: Data Analysis

5.1	Data Collection	161
5.2	Reliability & Validity Analysis	163
5.3	Exploratory Factor Analysis	168
5.4	Confirmatory Factor Analysis	173
5.5	Assessment of Validity	181
5.6	Structural Model	188

Chapter 6: Findings & Discussion

6.1	Effect of Brand Equity Dimensions on Brand Equity	197
6.2	Effect of Marketing Mix Elements on Brand Equity	199

Chapter 7: Theoretical Contributions & Managerial Implications

7.1	Theoretical Contributions of Present Study	204
7.2	Managerial Implications	208
7.3	Recommendations for Building Brand Equity in Indian International Luxury Apparel Brand Market	221
7.4	Conclusions	231

Chapter 8: Limitations & Directions for Future Research 235

References 245

Appendices

Appendix A	276
Appendix B	277

CHAPTER 1
INTRODUCTION

Branding is an old topic with roots reaching as far back as ancient Egypt, where brick makers placed symbols on their bricks for identification purposes. Additional evidence of branding can be found in medieval Europe, where members of trade guilds placed "trademarks" on their products as a sign of quality for the consumer and legal protection of exclusive production rights for a market. Modern-era branding can be traced back to consumer goods marketers in the late 19th century in an effort to gain control of product sales from retailers (Aaker, 1991; Biel, 1993). Branding has since proliferated to almost all corners of the commercial world. Increasingly, in fashion marketing, brands are seen as important in creating an identity, a sense of achievement and identification for consumers.

Previously, the designers and manufacturers of high fashion remained anonymous, and as such, depended on a mixture of their skills and customer proximity to be assured of loyalty. However, with the advent of the industrial revolution in Europe, bringing about not only an increase in demand but also increased competition, designers recognized the need to approximate their identity with the products that they tried to sell, in order to develop customer loyalty (De Marly, 1980; Glynn, 1978). But as the development of new technology meant that garments could be easily copied, couturiers of the period recognized the need to differentiate their offer, and they sought to do this through exclusivity, price, service, location and, most important of all, through the branding of a clear house image and identity. And while the concept of "lifestyle branding" has become a common contemporary branding device (Moore, 1995), it has been suggested that an early antecedent of lifestyle branding is to be found in brand communication strategies of the house of Chanel in Paris in the 1920s. Rather than designing clothes to suit a lifestyle, "Coco" Chanel claimed to have created a lifestyle, and packaged that lifestyle in the image of its cruisewear and country tweed collections which became its design signature and brand identity. Chanel recognized two important dimensions of branding that have now become the corner-stone of luxury goods branding. The first was the ability of the fashion brand to become synonymous with a particular lifestyle, while the second was that not everyone who aspired to a particular lifestyle fashion brand could afford it. As a result, Chanel became a pioneer of brand-line extension, and through the development of Chanel perfumes, was able to extend the accessibility of her brand, without detriment to her established fashion brand identity (Charles-Roux, 1989). Other than being among the earliest examples of branding, high fashion also provides an obvious illustration of the social and psychological context of branding. It has been suggested that brands act as social signals, gain their meaning from a cultural context, and can be invested with a symbolism which communicates social status, wealth, and social group conformity (Lewis and Hawksley, 1990). This symbolic significance also invests the brand with a psychological importance, whereby brand ownership can be used as a vehicle for self-identification and expression (Schiffman and Kanuk, 1997; Tomlinson, 1990).

The economic value of luxury, fashion and status products has been argued to be substantial (Dubois & Duquesne, 1993; Mason, 1981; Solomon, 1983). Luxury goods and accessories have been an integral part of the society since the days the civilization process graduated from being a provider of food, clothing and shelter, to providing impetus to its members to develop products and service for satisfaction of aesthetic sense (Henning, 2005).

The market for luxury goods has always been there since ancient times across civilizations ranging from the Babylonian, Roman to the Persian and Indian civilizations. These civilizations had a rich tradition of producing and selling luxury goods ranging from fine clothes, exquisite gold, silver, diamond ornaments and other ornaments of precious stones to building fabulous palaces for kings, emperors and nobles of the society (Sherman, Grunfield, & Rosne , 2005). This is a testimony to the fact that since the advent of civilizations there has been a section of the society that has always been the consumer of luxury goods. This section of the consumer formed the upper echelons of the society who have the financial strength to be the possessor of such goods. This section has prevailed over time and is present in the contemporary society across the world passing through all stages of the civilization process where its presence has always been guaranteed. Along with the growth of civilization, corresponding development also occurred in the production of luxury goods especially after the industrial revolution and overall development of mechanized industrial process (Burnette, 2008). As a result, new and developed goods began to be added to the luxury category. This process was further accentuated in the twentieth century when the luxury goods began to acquire greater finesse and were marketed as luxury brands. This was the period when the global luxury brands in all product categories took shape. The markets for these brands spread beyond national boundaries and acquired global status whose fame and related qualities were longed to be possessed by customers who had the financial strength to purchase those goods.

Thus by tradition, individuals have consumed luxury goods because of their desire to differentiate themselves by either being part of their reference group, or to separate themselves from other groups preferably to become part of a higher social class. The upper social class consumed luxury goods to distance themselves from the working class that consumed necessity goods. These individuals never consumed goods for their economical value but their social status value. This "Affluent" segment (Stanley, 1989) was differentiated into "Old money" (Aldrich, 1988; Hirschman, 1988) and "Nouveaux Riches" (LaBarbera, 1988). The "Affluent" basically bought luxury goods all the time to satisfy their needs for material immortality (Hirschman, 1990), it has been a lifestyle choice for them. The "Excluded", represented the majority of the population, and did not have access to luxury (Dubois & Laurent, 1995).

The business of luxury that was the reserve of the rich and the mighty till the 19th century started to be accessible to other sections of the society from 20th century onwards and is now available to all those who can afford it (Frank, 2000). The concept of luxury is not confined to a certain social group nowadays rather it is a strata or a trend in society in which any one or everyone aspires to become a member .In the 1980's, luxury goods that used to belong to the upper class became visible, recognisable, and accessible to the public. The traditionally affluent clientele extended to a large middle class consumer base (Roux & Floch, 1996); also described as "excursionists" (Dubois & Laurent, 1996). These new consumers oppose the traditional ostentatious consumption of luxury brands, and display a real need for emotional satisfaction (Roux & Floch, 1996). They are more occasional and selective, and carefully evaluate the value of a brand (Roux & Floch, 1996). Due to these changes in the market place for luxury goods, the dichotomous approach segmenting the luxury market into two segments defined by their economic resources i.e. the "Affluent" and the "Excluded" or conspicuous consumption (Mason, 1981) is not sufficient anymore. Nowadays, the majority of consumers buying luxury brands are the "Excursionists" (Dubois & Laurent, 1996) also called the "Democrats" (Dubois, Laurent, & Czellar, 2001), who buy luxury products and brands occasionally. Hence, the market for luxury goods has gone through an enormous demand growth spurt, and developed into a significant economic sector (Roux & Floch, 1996).

This new found prosperity has attracted luxury brands that were looking for new engines for growth to make up for slow growth in their traditional markets. In 20th century i.e. after the country began reforming in the early 1990s, India's economic growth jumped to about 7 percent. It slowed in the late '90s but since 2002 has proceeded at a blistering pace, surpassed only by China among the world's large economies (Farrell, Beinhocker, & Zainulbhai, 2007). High-end luxury brands cannot ignore the fact that over 25 million people are getting added to the Indian middle class every year. Moreover, India has been an attractive global retail destination with a US $350 billion retail market, which is expected to grow at about 30% annually (A.T. Kearney, 2006). Industry estimates have pegged the luxury apparel market at around Rs 300-Rs 350 crore. In the Indian context both the fashion apparel retailing and branding have been in transition phase (Sinha & Uniyal, 2003).

The luxury goods market in India is one of the world's most diverse and exciting – and a challenging one for brands seeking to gain a presence there. Brands and retailers who want to capture a share of this fast-paced business need to learn and adapt, or risk missing one of the great untapped opportunities for the luxury business. This chapter begins with a discussion on brands, brand equity & their importance to customers. Two subsequent sections discuss the concept of luxury & the historic evolution of luxury goods. The discussion on global luxury brands is followed by Indian luxury brands. Research issues & objectives are followed by scope of study. The last two sections of this chapter discuss rationale of study & chapter schema.

1.1 BRANDS & BRAND EQUITY

The term "brand" holds multiple meanings. According to John Murphy, founder of Interbrand (Ingham, 2003), a brand is not only an actual product, but also the unique property of a specific owner. Brands have been increasingly considered to be the primary capital in many businesses. Financial professionals have developed the notion that a brand has an equity which exceeds its conventional asset value. This has been supported by the fact that the cost of introducing a new brand to the market has been approximated at $100 million with a 50 percent probability of failure (Ourusoff, 1993). Therefore, the phenomenon of brand and brand equity valuation has become the centre of interest of both academic and business experts. The main issues have been as to how a company can build, nurture and use a brand in order to obtain and sustain the competitive advantage in the marketplace.

A brand refers to a name, associated with one or more items in the product line that is used to identify the source of character of the item (s) (Kotler, 2002). The American Marketing Association (AMA)* has defined a brand as a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. Within this view, whenever a marketer creates a new name, logo, or symbol for a new product, he or she has created a brand (Keller, 2002). Shimp (2003) has defined a brand as a convenient and appropriate label for describing an object of a concerted marketing effort. As can be seen, according to these definitions brands have a simple and clear function as identifiers. In its branding strategy, a company has a number of different options for branding. These have been divided into four different categories: corporate brands (e.g. British Airways), individual brand names or product brand, companies, product brands (e.g. Mars company and the chocolate bar) and manufacturer's name and reputation (e.g. Marks &Spenser/St Michael) (Melewar & Walker, 2003). While in service marketing the company brand is the primary brand, the product brand has been referred to as the primary brand in packaged goods marketing (Low & Lamb, 2000).

1.1.1 The Role of Brands

A brand name has been an important extrinsic cue for consumers for a variety of reasons. The first is that a brand name helps the consumer identify the source or maker of a product or service (Keller, 2002; Cobb-Walgren, Ruble, & Donthu, 1995). That is important particularly if the consumer finds something wrong with the item purchased and needs to assign responsibility, or to seek compensation. Another reason is that a brand name can act as a risk reducer (Keller, 2002) which allows the consumer to

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* http://www.marketingpower.com/_layouts/Dictionary.aspx?dLetter=B

purchase an item they are familiar and comfortable with and to be at ease with their decision. The third reason why brand name is important is that if consumers recognize a brand, then they will not have to engage in a complex decision making process when making a purchase decision (Keller, 2002; Cobb-Walgren *et al.*, 1995). People have been faced with ever increasing choices about what to buy in virtually all areas of their lives (there are few real monopolies left). How, then, can they make a decision about what is right for them? One obvious aspect of the decision making is to go for a name they trust; to select a company of which they have heard; one which has a reputation for quality, service and reliability. The reduction of decision making effort then enables consumers to lower search costs, in terms of time and effort, when considering which product to purchase. The most significant reason why brand name has been important relates to it acting as a signal of quality (Dodds, Monroe & Grewal, 1991; Richardson, Dick, & Jain, 1994). Based on what consumers have known about a brand can highlight their perceptions of quality. The price consumers are willing to pay has also been influenced by brand name (Dodds *et al.*, 1991; Olson, 1977). The increasing importance of brands can be attributed primarily to following arguments (Gelder, 2002):

- Products and services have become so alike that they fail to distinguish themselves by their quality, efficacy, reliability, assurance and care. Brands add emotion and trust to these products and services, thus providing clues that simplify consumers' choice. These added emotions and trust help create a *relationship* between brands and consumers, which ensures consumers' loyalty to the brands.
- Brands create aspirational lifestyles based on these consumer relationships. Associating oneself with a brand transfers these lifestyles onto consumers. The branded lifestyles extol values over and above the brands' product or service category that allow the brands to be extended into other product and service categories thus saving companies the trouble and costs of developing new brands, while entering new lucrative markets.
- The combination of emotions, relationships, lifestyles and values allows brand owners to charge a price premium for their products and services, which otherwise are barely distinguishable from generics.

Brands, serve eight functions (Kapferer ,1997a) for the consumer as shown in Table 1.1: the first two are mechanical and concern the essence of the brand ; the next three are for reducing the perceived risk; and the last three concern the pleasure side of a brand. Kapferer further added that brands perform an economic function in the mind of the consumer i.e. the value of the brand comes from its ability to gain an exclusive, positive and prominent meaning in the minds of a large number of consumers. The ultimate aim for companies has been to create something distinctive that is able to command a higher price and hence ensure future sales and profits. In the end, strong brands translate directly into superior shareholder returns. Thus to summarise, branding offers the marketers the escape mechanisms from the commodity spiral. It offers paths to transform the nature of delivery by pulling the product out of its narrow value capsule. It aims to push the marketing entity on a higher value orbit by transforming a physical object into a something greater than merely an assembly of ingredients or components or parts. When the product as driver of customer values begins to get marginalized, brand can come to its rescue. It can add value by adding dimension and promote discrimination.

1.1.2 Brand Equity

The value of a brand has been based on a number of dynamic variables including the competitive set, category strength, differentiation, relevance, management ability, corporate strategy, existing intangible and tangible assets, etc. Not only do these variables change regularly, but also the centre of company's attention changes depending on the requirements of the business. Therefore the brand value is some sort of relative measure, contingent on circumstances and perspective. Ultimately, the audience has been the one that "attaches" value to a brand (Woods, 1998) not consultants, or the managers.

The importance of brands has also been addressed in the literature of brand equity. Brand equity can be considered as being the situation (Keller, 2002), "*where the consumer has a high level of awareness and familiarity with a brand, and holds some strong, favourable and unique brand associations in memory*". Brand equity therefore, is an explanation of the importance of brands in the marketplace and develops because of consumers' awareness and familiarity (Aaker, 1991; Keller, 2002; Cobb-Walgren *et al.*, 1995). The more well known a brand the more likely it would be stored in the consumers evoked set (Nedungadi, 1990; Shimp, 2003). This is because positive product or service associations with the brand (image and reputation) are more likely to develop when a brand becomes well known to the consumer. Past research has also shown that as the familiarity with the brand increases, consumers are less likely to use other cues for evaluation and choice (Olson, 1977; Monroe & Krishna, 1985; Laroche, Kim & Zhou, 1996; Richardson et al., 1994). However, that does not mean a brand name has been the only cue used by consumers to evaluate a product or service. In fact other informational cues, such as distribution and price, also have an impact upon consumer evaluation and choice decisions.

Table 1.1: The Functions of the Brand for the Consumer

Function	Consumer Benefit
Identification	To be clearly seen, to make sense of the offer, to quickly identify the sought-after products.
Practicality	To allow savings of time and energy through identical repurchasing and loyalty.
Guarantee	To be sure of finding the same quality no matter where or when you buy the product or service.
Optimization	To be sure of buying the best product in its category, the best performer for a particular purpose
Characterization	To have confirmation of your self-image or the image that you present to others.
Continuity	Satisfaction brought about through familiarity and intimacy with the brand that you have been consuming for years.
Hedonistic	Satisfaction linked to the attractiveness of the brand, to its logo, to its communication.
Ethical	Satisfaction linked to the responsible behavior of the brand in its relationship towards society.

Source: Adapted from Kapferer, 1997a

Brand equity has always been an imperative concept in marketing and in the last decade of previous century, its importance has received much attention in the literature (Keller, 2002; Aaker, 1996b; Gronhaug, Hem, & Lines, 2002). Brand equity is a measure of the health of the brand. Thus, it can be used for marketing decision-making. High brand equity has been considered to be a competitive advantage since it implies that firms can charge a premium; there is an increase in customer demand; extending a brand becomes easier; communication campaigns are more effective; there is better trade leverage; margins can be greater; and the company becomes less vulnerable to competition (Bendixen, Bukasa, & Abratt, 2003). In other words, high brand equity generates a "differential effect", higher "brand knowledge", and a larger "consumer response" (Keller, 2002), which normally leads to better brand performance, both from a financial and a customer perspective.

Aaker (1996b) has viewed brand equity as a set of assets (liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product/service to the customer. A consumer perceives brand equity as the value added to the product by associating it with a brand name. While this "value added" is a function of several facets, the "core" facets are the primary predictors of brand purchase intent and behaviour. Core "Consumer Based Brand Equity" facets, denoted by Aaker, include "perceived quality", "perceived value for the cost", "uniqueness". and the "willingness to pay a price premium" of a given brand. Keller (1993) has defined brand equity as "the differential effect of brand knowledge on consumer response to the marketing of the brand." He also viewed "Consumer Based Brand Equity" as a process, that occurs when the consumer is familiar with the brand and holds some favourable, strong, and unique brand associations in memory. The favourable, strong, and unique associations were termed as "primary" associations that included brand beliefs and attitudes encompassing the perceived benefits of a given brand (Keller, 1993). These beliefs and attitudes can be functional and experiential (i.e., Perceived Quality and value relative to other brands) or symbolic (i.e., its "uniqueness"). "Primary" brand associations of perceived quality, perceived value for the cost, uniqueness, and the willingness to pay a price premium, have been the strongest predictors of purchase intent and purchase behaviour in Keller's framework. Brand equity has also been defined as "the enhancement in the perceived utility and desirability a brand name confers on a product" (Lassar, Mittal, & Sharma, 1995).

In addition, brand equity need not be viewed only from the companies' perspective, but one must be concerned with the way customers perceive product or service brands. In the marketing literature, operationalisation of consumer-based brand equity usually has been classified into two groups (Cobb-Walgren *et al.*, 1995; Yoo & Donthu, 2001): consumer perception (brand awareness, brand associations, perceived quality) and consumer behaviour (brand loyalty, willingness to pay a high price). The key sources of brand equity suggested by Aaker (1991) have incorporated both perceptual and behavioural dimensions in the definition, whereas Lassar *et al.* (1995) has strictly distinguished the perceptual dimension from the behavioural dimension, so that behaviour is a consequence of brand equity rather than the brand itself.

1.2 LUXURY

The concept of luxury has been discussed and argued upon for centuries; however, the underlying meaning of what actually constitutes luxury has never fully been identified. Even though the understanding of what is luxury can change according to the individual, there has been a common perceptive when it comes to luxury brands.

There are particular global brands, such as Christian Dior, Rolls-Royce and Patek Philippe, which are one level above generic brands by having a certain quality distinguishing them apart from the crowd, the luxury factor. There is an innate human desire for what is not easily attainable and that is one of the drivers of the luxury industry, its exclusivity. The origin of the word luxury has been derived from the Latin words "luxus" and "luxuria". The word luxury should have a positive value of splendour to it. However, it has taken on the negative meaning of decadence when used in association with "private" and "excess". Luxury has to be seen as a "manière de vivre" (a way of life). It has been about pleasure, refinement, perfection and rarity, as well as appreciation, but not necessarily price (Roux & Floch, 1996).

Luxury has been commonly defined through very limited supply and recognition of value by other people. Luxury goods have been defined as exclusive products not commonly owned or used, which are more conspicuous than necessity products (Bourne, 1957). Luxury goods are primarily branded goods purchased for psychological needs such as increase of esteem; functional needs seem to only play a secondary role in purchase decisions (Arghavan & Zaichkowsky, 2000). Luxury brands can be described as premium priced brands that consumers purchase for their psychological values (symbolic and hedonic), and not predominately for their economical and functional value (Nueno & Quelch, 1998). Thus, luxury brands' nature have been characterised as conspicuous, unique, social, emotional, and of high quality. Due to different interactions on a personal and social level, consumers will develop different perceptions of luxury brands. In other words, the definition of luxury brands varies according to combinations of motivations based on values. The main motivations for purchasing luxury brands have been the need for sociability and self-expression (Vigneron & Johnson, 1999). Thus the concept of luxury is complex, as it is subjective and primarily built on consumer perceptions, as the meaning of luxury has been determined by personal and interpersonal motives (Vigneron & Johnson, 2004).

1.2.1Global Luxury Market

Many luxury brands have a long history with their origin in France. The luxury industry is believed to have originated in the late 19th century in France where the wealthy would have their clothes tailor-made using only the finest fabrics in what is called 'haute couture'. Europe is known for its luxury brands and craftsmanship resulting in the growth of many traditional luxury brands originating there, whereas several of the newly established brands, such as Calvin Klein, Vera Wang, and Donna Karen, are American. Nevertheless, these are global brands whose existence is acknowledged in more than a dozen countries and demonstrate characteristics that put them a step above other brands.

For years the luxury goods industry enjoyed its exclusive position in the market and a fairly stable market environment. However, supply and demand patterns for the market for luxury brands have changed considerably due to increased global competition (Roux & Floch, 1996) and counterfeited luxury goods (Arghavan & Zaichkowsky, 2000). The luxury industry, with its focus on art and aesthetics, went through dramatic changes due to changed market conditions. The formerly French family run businesses either disappeared or merged into large multinational companies (Roux & Floch, 1996).

The rapid splurge of spending into luxury goods occurred in the 1980s mainly centralized to Europe and later gradually moving towards America and Asia (Economist, 1993). One of the largest markets for luxury goods is in Asia, excluding Japan, resulting from expanding economies and rise of the middle-class with greater disposable incomes. According to Wong and Ahuvia (1998), there are certain aspects of Asian culture which may be more accepting of luxury goods. According to the 'World Wealth Report' made by Merrill Lynch and Capgemini (2008) the number of 'High Networth Individuals (HNI)' has grown tremendously in newly emerging economies like Brazil, China and India, with India having the highest growth of HNI individuals in 2007 at 22.7 percent, which was higher than the growth figures of 20.5 in 2006. At the same time the total world wealth reserves grew by 9.4 percent to $40.7 trillion. In Asia, recent years have seen a greater focus on the logo; but it would be wrong to assume that this implies a more superficial approach to luxury on the part of consumers. Luxury brands are a modern set of symbols that Asians are wearing to redefine their identity and social position (Chadha & Husband, 2006). Asian psychologists report that famous Western brands have been attractive to many Asians because they have an international profile, bestowing on the consumer an image of modernity and success. They explain that brands are less about distinguishing oneself than demonstrating membership of a particular social group, as social harmony through conformity is still a common value. In fact the business of luxury is an aggressively growing segment and marketers are giving more focus to increase the availability of lifestyle products at maximum outlets in countries across the world (Michman & Mazze, 2006). The global luxury brands like Prada, Hugo Boss, Louis Vuitton, Jimmy Choo, Versace, Yves Saint Laurent, Chanel, Rolls Royce, Lamborghini etc, are therefore opening company outlets in emerging economies like China, Brazil and India to tap the growing interest for luxury goods among the newly affluent class in these societies. This has resulted in these companies promoting their luxury brands in these countries and going for brand awareness and equity campaigns to make the affluent class realize the worth and exclusivity of their brands (Chevalier & Gerald, 2008). Thus, Asia is now catching up with the concept of luxury in a big way and all the global luxury brands are readying themselves to chart the next course of growth in their business in this segment.

1.2.2 Indian Luxury Market

India has always had a rich tradition of nurturing luxury right from the ancient days till the modern times. Export luxury items like muslin, pearls, and precious stones, silk were produced abundantly in India and were used by the elite sections of the society as well as exported to other countries. The Roman civilization was one of the largest importers of these items in the pre-Christian and early Christian era. India maintained its reputation as a centre of luxury products till modern times and connoisseurs of luxury abound in India and majority of them are the womenfolk from affluent families Merrill Lynch and Capgemini (2008). India had a very organized luxury industry and a major part of the society earned their livelihood by making luxury goods that were purchased by the affluent sections of the society (Kaey, 2001).

The majority of Indian shoppers perceived the luxury segment including the International brands as much more expensive than the unbranded and local products (Murthy & Krishnan, 2002). This majority included the growing middle class, lower middle class in the urban consuming population. The price factor influenced the perception. However, these majorities have shown the signs of positive attitude towards the international brands due to the new found prosperity of the rising middle-class in India that is showing a growing affinity towards purchasing luxury brands just to convey to the society that they have arrived as members of the prestige, and with it, the luxury club that is associated with international luxury brands, and whose presence in growing in India. The Indian consumer has reached a stage where it has started to appreciate the sentiments associated with conspicuous consumption that has become possible due to the increase in their earnings post liberalization and opening up of the Indian economy. Now the Indian consumer has the earning power as well as the exposure to various types of goods and services of different brands that has increased its appetite for purchase. This is reflected in the growth of presence of brands that are present in other markets of the globe. Apart from it the Indian market has also upgraded several products and services in terms of attributes, aesthetics as well as price that are more inclined towards the higher end.

If India continued its recent growth, average household incomes would triple over the next two decades and it would become the world's 5th largest consumer economy by 2025 (Farrell, Beinhocker, & Zainulbhai, 2007). The study showed that aggregate consumer spending could more than quadruple in coming years, reaching 70 trillion rupees by 2025. Higher private incomes and, to a lesser extent, population growth would encourage this rise in consumption. Along with the shift from rural to urban consumption, India would witness the rapid growth of its middle class—households with disposable incomes from 200,000 to 1,000,000 rupees a year. That class comprised about 50 million people in 2005, roughly 5 percent of the population. By 2025, a continuing rise in personal incomes would spur a tenfold increase, enlarging the middle class to about 583 million people, or 41 percent of the population.

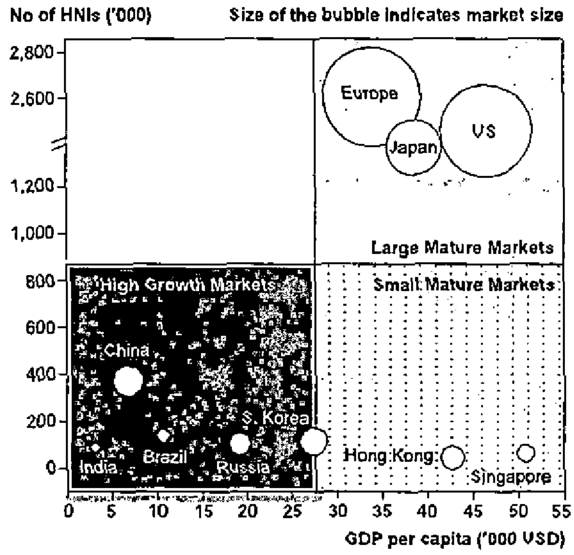
Based on a category wise build-up, the size of the Indian luxury industry in 2009 as shown in Table 1.2 was estimated at USD 4.76 billion (at retail prices). This included all luxury products, luxury services and luxury assets sold in India. The total luxury market grew at a CAGR of 13% between 2007-09, with luxury products growing at 22%, services degrowing at 5% and assets growing at 18% (KSA Technopack, 2010). The most visible segment of the luxury industry has been the luxury products segment. This included the most visible fashion luxury segments such as apparel, accessories, personal care, watches and jewellery as well wines, spirits and high-end electronics. This market was estimated to be USD 1.5 billion in 2009. Most luxury product categories witnessed over 15% growth over the past 2 years - performance of categories like electronics, wines and spirits, apparel and jewellery has been exceptionally strong. Indian luxury services industry is considered to be one of the best in the world. The current Indian luxury assets market is estimated at USD 2.45 billion. The growth of the luxury assets market is driven mainly by the phenomenal growth of the real estate and automobile sectors.

Table 1.2 Indian Luxury Market Size (2007-09)

	US Dollar Billion			
Year	**Assets**	**Services**	**Products**	**Overall**
2007	1.76	0.86	1.04	3.66
2008	2.26	0.85	1.28	4.39
2009	2.45	0.77	1.53	4.76

Source: Adapted from CII AT Kearny Study, 2010

Fig. 1.1 Country Comparison Based on GDP & Number of HNIs



Source: A.T. Kearney, 2010

Table 1.3 Luxury Market in Developed and Developing Countries
(All figures in Rs crore)

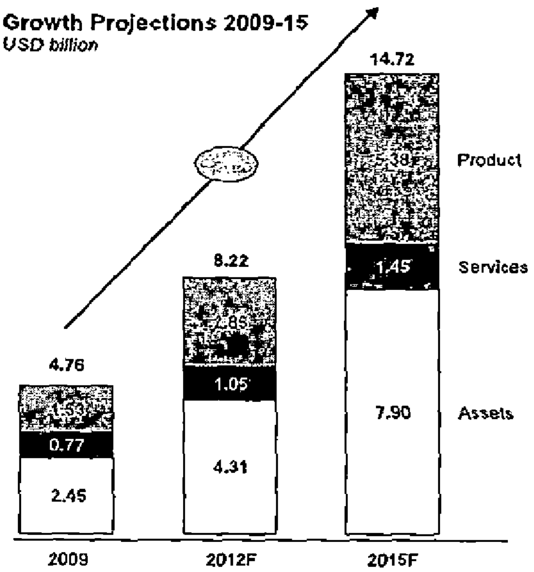
Country	**Europe**	**Japan**	**India**
GDP	72,855,000	22,464,000	5,332,500
Luxury Market	495,000	90,000	6,300
Luxury Market (as % of GDP)	0.68%	0.40%	0.12%

Source: KSA Technopak, 2010

1.2.2.1 Latent Demand and Future Potential

According to AT Kearney Report (2010), the Indian luxury market is still very small compared to global standards (Fig. 1.1 & Table 1.3). While India has one of the highest GDPs in the world, its luxury consumption, in absolute terms, is still very small. There exists a large latent demand in India, constrained by both demand side and supply side factors. On the demand side, there are several potential consumers in India who either do not buy luxury at all or do not buy enough of it from the local market e.g. Rupee millionaires with incomes between INR 10-30 lakhs do not really spend on luxury. On the other side, supply of most luxury products in India is present is mostly present Mumbai, Delhi or Bangalore. However, wealth creation in the country is now no longer limited to these cities. It is taking place at a rapid rate in Tier I and Tier II cities like Ahmedabad, Pune and Hyderabad. The current market size for luxury products in the country is around USD 1.5 billion. A regression based on India's GDP per capita and Number of HNIs, indicates that the size of the Indian luxury products market should have been around USD 3-3.5 billion. This implies that there is a latent demand of almost USD 1.5-2 billion. As percentage of the current market size, India's latent demand is estimated at 120-150% while for China it is estimated at only 10-15%. India's overall Luxury Market is expected to grow by 21% to become almost 3 times its current size by 2015 (Fig 1.2).

Fig 1.2 Projected Growth of Luxury Market in India



Source: A.T. Kearney, 2010

1.2.2.2 Indian Luxury Consumer

Indian consumers have talked about exclusivity, uniqueness and appeal to personal taste. Traditional attributes such as high quality, heritage, longevity, the "stories" associated with brands are beginning to emerge as drivers of purchase. The Indian luxury consumer is young i.e. 30-45 years old. While the average Indian luxury customer values high quality, exclusivity and social appeal as key drivers of luxury purchase, they are also very price conscious (CII – A.T. Kearney Report, 2010). The consumer segments are composed primarily of:

> **Medium size enterprise owners:** This is the largest segment in terms of number - these are typically the medium enterprise owners - industrialists and traders who run businesses with revenues upwards of INR 50 cr. Their wealth is their passport to the elite segment of the society and conspicuous consumption is their way of announcing it to the society. The children are the bigger spenders, having been educated abroad and hence familiar with brands and the luxury way of living.
>
> **Traditionally wealthy families/large industrialists:** This group comprises two sub-segments - the first is the traditionally wealthy families - who have been consuming luxury for several decades and go for the finer things in life. The other sub segment comprises the promoters of some very large businesses which have come up in the last two decades and have created a disproportionate amount of wealth very quickly.
>
> **Corporate executives:** Senior executives of corporate India who are paid in excess of INR 1 crore (US$ 225,000) and bankers who earn big bonuses epitomize this category. These executives are well traveled and are aware of brands. Most of this segment consists of people who are in their mid-late forties and represent some of the brightest minds in the country. Many of them though have come from middle class backgrounds and hence have a conservative approach on conspicuous spending.

Other segments include self employed professionals, young professionals, expatriates, politicians and bureaucrats. It is estimated that nearly two million Indian households earn more than $1,00,000 annually and can spend about $9,000 on premium goods and services. That itself translates into a potential market of $16 billion, even as the number of such affluent Indian households is believed to be growing by 12-15 per cent. Estimates suggest that India has more consumers for luxury goods than the adult population of several countries (Kabra, 2007). The High Networth Individuals (HNI) population in India stood at 123,000 in 2007, making India the fastest HNI growing population in the world. According to the "India Luxury Trends 2006" report by retail consulting company KSA Technopak, Indian luxury market was worth Rs 2,400 crore ($444 million) in 2006 & that over 1.8 million households earn more than $100,000 per year and spend more than $ 10,000 per year on luxury items. It said further that the market potential for luxury goods in 2007 was about $18 billion and it is expected to grow to $56 billion in the next ten years.

The other major spending force in India's new consumer market would be "the global Indians" such as large business owners, high-end professionals, politicians and big agricultural-land owners. In 2007, there were just 1.2 million global Indian households accounting for some 2 trillion rupees in spending power. But a new breed of ferociously upwardly mobile Indians is emerging—young graduates of India's top colleges who can command large salaries from Indian and foreign multinationals. Their tastes are indistinguishable from those of prosperous young Westerners—many own high-end luxury cars and wear designer clothes employ maids and full-time cooks, and regularly vacation abroad. By 2025, there would be 9.5 million Indians in this class and their spending power would hit 14.1 trillion rupees—20 percent of total Indian consumption. These "global" Indians would be living mostly in the eight largest cities, so they would be very accessible to large domestic and multinational companies. Further, their tastes would be similar to those of their counterparts in developed countries i.e. branded goods, vacations abroad, latest consumer electronics, and high-end cars. Thus Indian customer would be quite similar to its global counterpart. Presently these Indian consumers have started with the concept of seeking prestige through buying of luxury goods (Sinha, Banerjee & Uniyal, 2002). This consumer group has now started to appreciate luxury brands due to their new found prosperity and the awareness about the luxury brands in the international market and the perceived value that they bring with them with regards to status, quality and snob effect. As a result this group has been aggressively shifting its product and service preference to high-end and luxury goods thereby creating a complete system for entry and sustenance of global luxury brands in India.

Based on gender, the Indian consumers can be classified as males & females. The characteristics of these two types of consumers are described herewith. The Indian menswear market is expected to grow by 40.6 percent to a forecasted a value of $13.8 billion in 2012 (Datamonitor, 2008). In fact, men's apparel constitutes 46 percent of the total ready-made apparel market in India (Cygnus Business Consulting and Research, 2004). As a result, men's clothing is the strongest category in most department stores (Batra & Niehm, 2009), and they display a larger variety of domestic and international brands. Among average-income male consumers, brand awareness is moderate, brand loyalty is low, and retailer loyalty is high (Datamonitor, 2008). However, for the affluent male consumer, clothing is reflective of lifestyle and social status, and prestige-linked advertising is very successful in creating aspirational value in the consumer's mind (Datamonitor, 2008). Awareness of luxury brands is also very high in this segment due to significant overseas travel and propensity for conspicuous consumption (Economist Intelligence Unit, 2005). International products/brands carry symbolic meanings in India and enhance emotional rewards for the consumer, and emotional rewards have been found to significantly predict purchase intent for both local and international brands among Indian consumers (Kumar, Lee, & Kim, 2009).

With respect to apparel selection, six influential factors including brand consciousness, quality assessment consciousness, discount and bargain consciousness, design and style consciousness, price and custom-stitch consciousness, and size specification consciousness explain 64 percent of the variance in Indian consumers' selection of apparel (Mohan & Gupta, 2007). Male Indian consumers are best represented by two brand-oriented clusters, namely discount-oriented brand seekers and quality assessment-oriented brand seekers.

Due to the slow shift in consumer adoption of Western apparel, gaining market share in the women's-wear segment has posed a challenge for international apparel brands and retailers (Batra & Niehm, 2009). Indian ethnic garments and garments mixing ethnic and western styling dominate the ready-to-wear market for Indian women. International retail firms in this sector face competition from numerous local designers, and to be successful they need to offer a culturally relevant product that is connected with Indian tradition. A recent survey of Indian women employed in the IT sector revealed that although a majority of women preferred to wear a mix of traditional Indian, Indian-inspired, and Western apparel to work, Western apparel was the main preference at home or during casual gatherings with friends (Halepete & Chattaraman, 2008). However, according to the same study, during social and family gatherings a majority of the women preferred traditional Indian apparel. Studies have also found a paradigm shift in these preferences with working women demonstrating a greater preference for branded Western and Indo-western apparel in recent years (Cygnus Business Consulting and Research, 2004). Researchers are hence proposing that international retailers who address the needs of professional women in India will demonstrate greater profitability (Batra & Niehm, 2009).

Retail Preferences of Indian Consumers: While disposable incomes have been growing among middle-class Indian consumers, disposable time has been on a decline, or as one author put it, Indian consumers are "money-rich" and "time-poor" (Sengupta, 2008). As a result, consumers prefer different retail formats than they did a few years ago. There has been a growing patronage of hypermarkets such as Big Bazaar and Subhiksha, since consumers find all categories of products including food, groceries, garments, home appliances, durables, toys, cosmetics, toiletries, and books in these stores (Srivastava, 2008). Department stores are also a popular format among Indian consumers since these are viewed as one-stop shopping that provide the right blend of novelty, variety, ambience, entertainment, and convenience to the shopper (Srivastava, 2008).

When evaluating retail stores, following five main factors accounted for 65 percent of the variance in a survey related to store selection criteria:

1. attractive indoor and window displays;
2. specialty, popularity, and credibility;
3. repeated customer satisfaction and reward;
4. personalized assistance, attention, and service; and
5. travel and shopping convenience (Mohan & Gupta, 2007).

Findings from this study revealed that personalized attention and service was the most important factor with 69 percent of consumers citing it. Specialty, popularity and credibility were next in importance with 62 percent of consumers citing this factor. Travel and shopping convenience was ranked third in importance and reflected on the paucity of time in the lives of Indian consumers. Repeated satisfaction and reward was next in ranking, and loyalty incentive programs were increasingly being implemented by modern retailers to address this factor. Display was ranked fifth, but it is an important factor for a large segment of female consumers, particularly those in the age group of 20–30 years (Mohan and Gupta, 2007). Although the factor of ambience did not emerge as important in the above study, retailers are increasingly emphasizing ambience since shopping constitutes a social event and a form of entertainment for Indian consumers.

In conclusion, the changing Indian demographic resulting from the growth of the middle- and upper-class professional segments has transformed the landscape of consumption and retail in India. Retailers are continually developing new products, brands, formats, and services for the evolving needs of Indian consumers, and this trend is likely to continue well into the future. Indian consumers present a tremendous market opportunity for international retailers, but along with this opportunity comes the challenge of understanding cultural nuances and strong links to tradition that are unique to this consumer. Success of international apparel brands in India may lie at the heart of adaptation and cultural authentication of western style so that they resonate on an emotional level with the Indian consumer.

1.3 INDIAN APPAREL MARKET

The Indian textile and apparel industry has witnessed tremendous growth in the last two decades and its market size today stands at US$ 67 billion (KSA Technopack, 2010). India has positioned itself as a manufacturing destination with cheap labour, cotton-based raw material and easy access to US and Europe markets. While textile and garment exports have been growing at an average pace of 8 per cent, it is the domestic market that presents itself as a larger opportunity, hence firing the imagination of manufacturers, entrepreneurs and marketers. The Indian domestic apparel market size is US$ 33 billion of which only 16 per cent is organised. A number of factors are expected to fuel the growth of the domestic market in spite of the many challenges faced by this industry. Growth drivers include increased incomes, high growth of GDP leading to rapid urbanisation, growth of organised retail with the entry of a large number of domestic and international players, and a growing awareness of global trends along with the need to look fashionable.

Consumers find it easier to upgrade to higher-priced products for watches and sunglasses since there is a longevity associated with these products. The same, however, cannot be said for apparel, which is highly fashion driven and has a shorter life span, making it harder for consumers in India to upgrade. Comparing India with other developing markets like China also reconfirms that their spending patterns on apparel differ a lot. The Chinese spend nearly 10–11 per cent of their household income on clothing, while Indians still spend only between 5–6 per cent on clothing. Indians tend to spend more on transportation, communication, education, homes, etc. However, this space is fast being populated by international brands which have learnt that consumers need to be offered entry level products to help them upgrade from premium to super premium to affordable luxury brands. This is the reason Esprit, Tommy Hilfiger, Lacoste, and Benetton have all reworked their pricing in India to be lower than what it is internationally. Brands like Esprit and Tommy constitute the super premium segment and have introduced entry level products at lower prices so that Indians can try their product instead of categorising them as international high-priced brands. In the 'affordable luxury' segment, Lacoste and Promod are two brands that have positioned themselves well. Interestingly, Hugo Boss has introduced Hugo Boss Red, which is lower priced and has helped them gain visibility as an 'affordable luxury/ brand for consumers to upgrade to.

Out of the total Indian apparel market of Rs 1,54,250 crore (Table 1.4), the ready to wear market totals Rs 1,19,500 crore and is expected to grow at a compounded annual growth rate of 9 per cent. Most of the urban population today prefers RTW apparel as it saves the time and effort of getting it tailored. During the last decade, a big market share has shifted towards the 'Ready to Wear' (RTW) apparel category. There has been a visible migration from tailored clothing to readymade garments due to the launch of brands such as Louis Philippe, Van Heusen, Allen Solly, Arrow, etc. Factors like easy availability, variety of colours and styles, etc. gave consumers a reason to shift their preferences. The RTW comprises approximately 77 per cent of the apparel market while OTC fabric constitutes the balance.

Table 1.4: Indian Domestic Apparel Market: 2009 vs 2015

	2009		2015		CAGR 2009-15 (%)
	Value (*Rs Cr*)	Share (%)	Value (*Rs Cr*)	Share (%)	
India Domestic Apparel Market	1,54,250		2,43,300		8
RTW*	1,19,500	77	1,96,500	81	9
RTS (OTC Fabric)**	34,750	23	46,800	19	5
Shirtings	11,900	34	14,150	30	3
Trousers	10,400	30	13,000	28	4
SKD***	9,800	28	14,900	32	7
Others ****	2,650	8	4,750	10	

*'Ready-to-Wear' (RTW); **'Ready-to-Stitch' (RTS); OTC market is also termed as the 'Ready-to-Stitch' (RTS)market; *** Salwaar, Kameez, Dupatta; ****Other OTC fabric covers: Suiting, Kurta pyajama fabric etc.
Source: KSA Technopak (2010)

1.4 RESEARCH ISSUES

There has been a noticeable increase in interest in the concept of luxury. Previous research has focused largely on socio-demographic characteristics (Leibenstein, 1950; Mason, 1981; Hirschman, 1988; LaBarbera, 1988; Stanley, 1989; Dubois & Duquesne, 1993; Dubois & Laurent, 1993; Kapferer, 1997b; Wong & Ahuvia, 1998).

Few research studies investigated consumers' attitudes towards the concept of luxury (Dubois & Laurent, 1994; Wong & Ahuvia, 1998; Wong & Zaichkowsky, 1999), people's relative position on luxury brands (Kapferer, 1998), consumers" buying motives (Vigneron & Johnson, 1999), the concept of luxury (Kapferer, 1997b), and perceptions of luxury brands (Vigneron & Johnson, 2004). Concurring with previous research, researchers further pointed out that the consumer decision making process for luxury brands is different and traditional marketing strategies do not apply to them (Vigneron & Johnson, 2004) . Other researchers emphasised that the changed demand and supply structures in the steadily growing luxury market require new segmentation strategies (Dubois & Laurent, 1995; Dubois & Laurent, 1996; Roux & Floch, 1996), which further support the necessity for increased research into the luxury market.

Though there has been some research examining individual brand equity elements such as attitudes and perception, little research has dealt with comprehensive brand equity constructs. Researchers have pointed out the abstract nature of the concept of luxury, and the impact on marketing strategies for luxury goods and brands. For example, perceived quality is taken for granted with luxury brands, as evaluations take place on an abstract level. A relationship was established between the dream value (desire to own the brand), and brand awareness as well as purchasing behaviour (Dubois & Paternault, 1995). Their studies conducted in North America showed that brand awareness has a positive impact on the dream value, but if consumers buy the brand the dream value for that specific brand decreases. The study was replicated in Hong Kong, and found that the greater the brand image, and the brand awareness amongst users, together with the perceived quality of luxury brands, the greater the brand preference and purchase rate (Wong & Zaichowsky, 1999). This relationship led to increased loyalty and sales. The authors also found that consumers hardly ever buy luxury brands they are not familiar with. Furthermore, Hong Kong consumers' dream value did not decrease after having purchased a specific brand, which appeared to be the outcome in North America (Dubois & Paternault, 1995).

Over the years, a large number of studies have explored how various marketing mix elements affect brand equity. Researchers have catalogued the apparent effects of various marketing efforts and market conditions on brand equity. For example, Simon and Sullivan (1993) listed advertising expenditures, sales force and marketing research expenditures, age of the brand, advertising share, order of entry, and product portfolio as sources of brand equity. Other marketing activities, such as the use of public relations (Aaker, 1991), warranties (Boulding & Kirmani, 1993), slogans or jingles, symbols, and packages (Aaker, 1991), have also been proposed. According to Keller (2002), several marketing communications (e.g., advertising, promotion, event marketing/sponsorship, and public relations) have positive effects on brand equity. He further suggests that different marketing activities have different contributions in creating brand equity. Advertising, for example, is often the central element of a marketing communications program to create brand equity. Most studies exploring the relationship between marketing efforts and brand equity building have focused on US & European customers. Conducting a study at a major state university in the United States, Grewal, Krishnan, Baker, and Borin (1998) argued that store image had a positive relationship with the perceived quality of the brand. Based on a sample of US women, Kirmani and Wright (1989) suggested that consumers might infer brand quality from perceived advertising spending. Employing different student samples from an American university, Cobb-Walgren *et al.* (1995) found that the brand with the higher advertising budget yielded a substantially higher level of brand equity. Similar studies have been conducted in other Western countries. The effectiveness of Internet advertising was examined in Dreze and Husshern's study (2003) by surveying Internet users in France finding that banner ads were an effective marketing tool because they could significantly improve brand recognition and awareness.

In response to the call for a "systems view" of relationships between selected marketing mix elements and the creation of brand equity, Yoo, Donthu, and Lee (2000) built a Brand Equity Creation Process model to explore how marketing actions increased or decreased brand equity. As the first of this kind, their study provided a good starting point for further research on the marketing activities/brand equity linkage. A number of studies further suggest that consumers in different parts of the world can vary in their attitudes and opinions on marketing activity because of cultural, economic, and consumption disparities among nations (Jain, 1989; Rodman, 1972).

In a study to evaluate whether the use of brand, price, retailer reputation, and physical product appearance as signals of quality are marketing universals for consumer products, Dawar and Parker (1994) found that some behaviors are likely to be universal whereas others are not. A survey of general Chinese consumers indicated that the respondents had very positive attitudes toward advertising compared to consumers in the West (Polly, Tse, & Wang, 1990). So price sensitivity, advertising, store image, and other activities all may differ according to the country involved. These differences in response to marketing activity might also be reflected in differences in consumer behavior and decision-making (Keller, 2002).

Since ability to consume luxury is generally restricted by financial capacity, the major proportion of luxury consumers is the affluent. A majority of research on luxury consumption has been focused on the affluent consumers with several exceptions (de Barnier, Rodina, & Valette-florence, 2006) where other segments have been investigated. There is a portion of non-affluent who buy luxury brands. In the past, luxury brands ignored the occasional luxury consumer and focused only on the loyal group of consumers. The present day consumer is more brand conscious having a greater desire and taste for brand name products.

In light of the above discussions, the following research issues were identified: –

- To examine the effect (positive/negative) & the extent of the effect, of marketing mix elements on brand equity & its four dimensions i.e. perceived quality, brand awareness, brand associations & brand loyalty in Indian luxury apparel market.
- To examine more marketing actions viz celebrity endorsement, event sponsorship & not just the broad marketing activities (the 4 P's) to enhance the explanatory power of the brand equity phenomenon
- To examine the applicability of brand equity creation model (Yoo et al., 2000) in India.
- To investigate both affluent & non-affluent sections of Indian society who buy luxury brands

1.5 RESEARCH OBJECTIVES

Taken together, the previous studies have offered several generalizations about relationships between marketing activities and the building of brand equity. However, they also show some deficiencies. First, compared to previous studies, Yoo *et al.* (2000) provided a more systematic view of the relationship between selected marketing mix elements and the creation of brand equity. However, as they pointed out, a major conceptual limitation of their study was that their "Brand Equity Creation Process Model" tested only a few marketing efforts, so future studies should examine more marketing actions to enhance the explanatory power of the brand equity phenomenon. Second, although considerable research has investigated how to employ marketing efforts to build brand equity, almost all previous studies have focused mainly on American and other Western countries' consumers, and very few of these theories have been subjected to validation outside Western culture. Consumers in different parts of the world can vary in their attitudes and opinions concerning marketing activities (Dawar & Parker, 1994), so results from these previous studies might not be similarly associated with consumers in other countries with very different cultures and consumer behaviors, such as the Indians. Third, despite the growing importance of the Indian market, the topic of how to build brand equity with various marketing strategies there appears to be under- researched. Research for understanding Indian consumer can provide international marketers with valuable information for formulating marketing strategies as well as creating advocacy messages and corrective responses. Moreover, knowledge of Indian consumer behavior may have tremendous implications for the South Asian region due to certain cultural similarities.

To aggregate, the overall objective of this study is to evolve a better understanding of marketing mix elements on brand equity in the Indian luxury apparel market. In detail, the study seeks to fulfil the following research objectives.

- To examine the effect of marketing activities on brand equity dimensions i.e. Perceived Quality, Brand awareness, Brand associations & Brand loyalty in Indian luxury apparel market
- To examine the effect of brand equity dimensions i.e. Perceived Quality, Brand awareness, Brand associations & Brand loyalty on Overall brand equity in Indian luxury apparel market.

1.6 SCOPE OF THE STUDY

According to a report "with a highly educated population of 1.1 billion, India is a country that has the fourth-largest purchasing power in the world" (A.T. Kearney, 2006). With such growth on the horizon, opportunities will blossom. Indian consumer spending will shift substantially from the informal economy, with its individual traders, to the more efficient formal economy of organized businesses. This growth will build a huge middle class that will be concentrated in India's urban areas. The shift in spending power from the countryside to the cities will place the bulk of India's private consumption within easier reach of major companies. By 2025, Indian cities will command 62 percent of the country's spending power as about 400 million Indian city dwellers will belong to households with a comfortable standard of living. For many companies, the sheer scale of this new urban middle class will ensure that it receives significant attention. The present study is therefore restricted to this segment of customers in one of India's most cosmopolitan region i.e. New Delhi & NCR.

Indian apparel market is worth Rs 1,31,200 crore with a compound annual growth rate (CAGR) of 15% in 2003-08 (The Economic Times, 2009). The brands introduced during this period have also doubled. The men's market contributes 32% to the total market & is growing at 13%-15% per annum. In contrast, the women's market contributes 29% to the sector. Then, there is the unisex sector worth Rs 23,616 crore that contributes 18% to the total apparel market. Therefore, an approx. equal number of males & females will be considered in this study. Also, there is a recent rush into the Indian market of luxury goods such as Louis Vuitton bags and Jimmy Choo shoes. Branded clothes such as Christian Dior, Louis Vuitton and Tommy Hilfiger, Gucci, Armani and Versace already have a presence in the country. Therefore, this study will restrict itself to the international luxury brands having presence in the country.

1.7 RATIONALE OF THE STUDY

In social and cultural terms there is perhaps no single issue that dominates the modern psyche as much as fashion. It not only forms an important part of everyday consumption decisions, but is also a central component of almost all daily events, influencing what and where we eat, the clothing we wear, how we communicate and inherently the very nature of our thinking. In relation to fashion, consumer researchers have studied the links between consumers personality traits and their marketplace behaviours (purchasing and consuming products) for over 40 years (Brody & Cunningham, 1968; Cohen, 1967; Myers, 1967). A product such as clothing is potentially used for its symbolic value. Clothing has been understood by social scientists to have very similar social and psychological functions, as can be readily observed in the dress codes of the young and others who use their choice of attire as a means to communicate their being part of a social sub-group. Within these circumstances, clothing choice acts as a "social glue", denoting group membership and conformity, as well as group alienation (Horn & Gurel, 1981). Within this representative context, the branding of clothing has been found to function as a "communicative short-hand" that acts as an immediate and public device to denote group membership and signifies the values and aspirations of the brand wearer (Evans, 1989).Clothing theorists have devoted considerable attention to understanding the motivations and behaviours of various consumer types such as fashion innovators (Goldsmith, Moore & Beaudoin, 1999). This body of research has focused on a wide range of topics such as values, attitudes and behaviours. Fashion involvement per se, and particularly a broader array of types of involvement in fashion clothing (product, purchase decision etc) has not been extensively studied (O Cass, 2000).

Research examining branding within the fashion retailing sector remains at an incipient stage, and that which looks at the branding of high fashion appears not to exist. This research neglect is somewhat anomalous given that of all consumer product markets, high fashion is perhaps the one most readily associated with branding (Kay, 1995). It is often highly successful, as measured by customer recognition levels, the premium prices that these can command in addition to the extent to which these brands can be applied across a range of product categories (Atkinson, 1995). Moreover, there is a limited body of research on creating brand equity for luxury apparel brands. Given that luxury clothing can fulfil a number of functions beyond mere functional performance such as warmth or protection, research is potentially an important area for luxury apparels as it often represents an important symbolic consumption decision of consumers.

India is one of the emerging economies of the world along with China, Brazil, Russia and other countries of Asia and Latin America that are performing well on the economic front in terms of economic growth and rise in affluence levels of its citizens. This development has created a set of consumers that is not bereft of monetary power along with the already existing affluent group. These consumers flush with money and the attitude to flaunt their success along with the earlier affluent group are aspiring to relish their new found status and seek prestige through their every action along with maintaining their exclusivity. In such a situation the most visible mode of attaining prestige, exclusivity and status in society is through acquisition of luxury goods, which they know very well but have now acquired the financial strength and accessibility to attain it due to the liberalized economy that has facilitated the entry of global luxury brands into the Indian market. Today the Indian market is witnessing the entry of established global luxury brands like Louis Vuitton, Prada, Jimmy Choo, Rolls Royce, Lamborghini who are setting up outlets in quickly sprouting luxury malls lin the metropolitan cities of India. Thus luxury, as a concept and a material good, is an obsession of today's Indian consumer society. As a result, luxury goods product management has become an important area of marketing of particular interest to both researchers & practitioners.

As a segment that was formerly linked purely to design and creativity, production and retail, luxury previously garnered minimal interest among researchers because of the general consensus that its impact on the academic and business worlds lacked adequate significance to merit consideration as a business domain or discipline. As the luxury segment evolved into an economic sector with the creation of LVMH and Richemont in the late 1990s and the subsequent consolidation of the Gucci Group in the early 2000s, several management issues linked to production, marketing, retail, product design and strategic management, and above all branding emerged. This period also gave rise to the inclusion of client relationship management, which has led to the experiential marketing that is today considered to be a core aspect of luxury management. Companies that invested substantially in brand building were shown to have a stronger competitive positioning than those whose core values were linked more to products and services than to branding. This evolution of branding influenced the introduction of assessments of several aspects of luxury products and services management. As a consequence, several scholars from a wide range of business areas have published research papers in branding and marketing mainly linked to consumer behavioural science and corporate and consumer-based brand equity. Other research works have been in the areas of the intricate specificities of luxury management linked to branding, marketing and client relationship management. However, little systematic research has been conducted on the marketing and branding of luxury products/services (Vigneron and Johnson, 1999). Research suggests that luxury brand marketers face unique challenges. For example, how do luxury marketers create brand awareness, without undermining the perceived quality or positioning of the brand? (Quelch, 1987). Many luxury producers (such as Louis Vuitton Moe¨t-Hennessy) are also struggling with mature markets, and the need to increase sales and shareholder returns. Yet evidence suggests that if luxury marketers increase sales and affinity branded products too much, they may lose their positioning, due to a perceived lack of scarcity (Moore *et al.*, 2000), and concerns that brand extensions come at the price of reduced product quality (Heller, 2000). Given the high profile of luxury brands, and the fact that luxury producers have managed to build widespread brand awareness while sustaining (the scarcity is real) or maintaining (the scarcity is not real) an image of product scarcity is an area of interest for research. Other researchers have noticed that many of these products, such as Louis Vuitton luggage are mass-produced (Twitchell, 2002), seemingly contradicting the view that luxury brands must have a rarity value (Phau & Prendergast, 2000).

Dubois & Laurent (1994) and Dubois *et al.* (2001) showed that consumer attitudes towards the concept of luxury differ considerably to those of non-luxury brands. Vigneron & Johnson (2004) pointed out that the consumer decision making process for luxury brands is different and traditional marketing strategies do not apply to them. As mentioned earlier, other researchers emphasised that the changed demand and supply structures in the steadily growing luxury market require new strategies (Dubois & Laurent, 1995; Dubois & Laurent, 1996; Roux & Floch, 1996), which further support the necessity for increased research into the luxury market.

The marketing of luxury goods products is an area of both the academic and practitioners marketing literature that has received little attention and is relatively sparse. Little research has been done in the luxury market. Much research can be done in the area of brand equity management for luxury brands in India, as research in this area has only scratched the surface so far. Existing research only suggests that luxury marketers face unique challenges in creating and maintaining these brands. However, recent evidence also suggests that the luxury market is undergoing change e.g. the luxury apparel brands who have maintained their market position over many years, are undergoing continuous as opposed to discontinuous change (O'Cass & Frost, 2002). An understanding of how luxury apparel marketers can build brands in India, and maintain their positioning would make a contribution to both the marketing and branding literature. Compared with previous research in this area, there will be two main unique contributions of this study:

1. Conceptually, the study enriches the literature by using more variables in the Brand Equity Creation Model. The model expands Yoo *et al.*'s (2000) model by including more activities and examining more detailed practices in order to more systematically examine the relationship between marketing efforts and brand equity.

2. Empirically, it will enhance the generalizability of findings from previous studies and use the expanded model to investigate marketing activities and brand equity creation in the Indian market.

This research will therefore benefit practitioners and academics alike. For researchers, it will expand existing brand equity creation models and provide a more systematic framework, which can be used in future similar research. Moreover, the study will empirically test the expanded Brand Equity Creation Process Model of Yoo *et al.* (2000) in the Indian market, thereby enhancing the generalizability of Yoo *et al.*'s findings. To multinational companies, India's more than 1 billion consumers undoubtedly represent a huge and important market. The marketers need to know how best to reach those customers. Thus, this study will help foreign marketers find answer to the key question: How do we build brand equity through the appropriate marketing strategy in India? Second, through a focus on a specific category—clothing brands—findings about brand-building strategies can be related or applied to other product categories. Third, for multinational companies considering this market opportunity, the study provides general information about Indian consumer's perceptions.

Certain specific new but highly pertinent issues are also dealt in this study. For example, the sponsorship of sports, causes, and events has become an established communications tool seen as useful in building brand awareness, brand image, and corporate image (Javalgi Traylor, Gross, & Lampman, 1994; McDonald, 1991; Quester, 1997; Turco, 1995; Witcher, Craigen, Culligan, & Harvey, 1991). Brand awareness and image, in turn, are integral to the idea of brand equity, the set of value-adding assets linked to a brand (Aaker, 1996b). Both academic (Keller, 1993; Park & Srinivasan, 1994) and business writers confirm the role that sponsorship can play in building equity for the brand. Empirical work, however, concentrates on only a few brand equity elements (for example, brand awareness (Sandier & Shani, 1992), brand preference (Nicholls, Roslow, & Laskey, 1994), corporate image (Turco, 1995), and adding financial value to the brand (Cornwell, Pruitt, & Van Ness, 2001). No study has considered a broad range of brand equity elements (Cornwell & Maignan, 1998). Apart from incorporating a broad range of brand equity elements, our study will incorporate all the four dimensions of brand equity.

1.8 CHAPTER SCHEMA

This thesis has been divided into eight chapters.

Chapter 1: It provides the background to the study and provides an overview of the research objectives, issues, rationale for the present study as also reasons for selecting the stimuli for the study.

Chapter 2: 'Review of Literature', examines the existing literature, for the subjects fashion clothing, luxury, brand equity & its dimensions, marketing efforts related to this study. The areas covered include concept of luxury; conceptualisation, theory & measurement of brand equity; different marketing efforts viz. price, celebrity endorsements, advertising expenditures, event sponsorships, Distribution exclusivity, & Store image. Based on the identified research gap, the chapter further presents, the study model and the hypotheses adopted for this study.

Chapter 3: This chapter presents 'Conceptual Framework & Hypotheses Development' and examines and integrates concepts and research findings relevant to brand equity, its dimensions & marketing efforts and proposes research hypotheses. The intent is to document support for the choice of the theoretical framework used in the present study of how marketing efforts relate to brand equity formation. This chapter begins with theoretical perspective and a discussion about a conceptual framework of brand equity formation process. It concludes with a review of literature relevant to the relationships among the constructs and a discussion of the proposed research hypotheses

Chapter 4: 'Research Methodology', outlines the approach and plan of present study. This chapter describes the development of research instruments, used for this study and further discusses the sampling procedure adopted to administer them. Besides this, the chapter also presents methods adopted for data analysis and reports the profile of the respondent customers and luxury brands in India.

Chapter 5: 'Data Analysis' presents the results of the factor analysis and hypotheses testing. It includes an analysis of the data and a presentation of the results arrived at on the basis of empirical analysis of data. It provides characteristics of the sample as also luxury brands under study, presents outcomes of the statistical data analyses, and discusses the findings in detail. Exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were carried out using SPSS 19.0 and AMOS 19.0 Graphics (SEM package), respectively.

Chapter 6: 'Findings & Discussion' summarizes findings focusing on the research hypotheses relating to the main effects of brand equity dimensions on brand equity; and the main effects of marketing efforts on brand equity. This chapter draws key inferences of the study and discusses the implications of the empirical findings in the context of the Indian luxury apparel industry. The effect of each marketing mix element viz price, store image, distribution exclusivity, celebrity endorsements, event sponsorships & advertising spending on overall brand equity & different brand equity dimensions is also considered.

Chapter 7: 'Theoretical Contributions & Managerial Implications' examines theoretical contributions & managerial implications of our research. In this chapter, we compare findings from our research with previous studies. Based on the understanding and insights gained, researcher has made an attempt to suggest practical recommendations for building brand equity in Indian international luxury apparel market.

Chapter 8: 'Limitations & Directions for Future Research' discusses the limitations of the study and provides suggestions to future researchers.

CHAPTER 2

REVIEW OF LITERATURE

Clothing has been understood by social scientists to have very similar social and psychological functions, as can be readily observed in the dress codes of the young and others who use their choice of attire as a means to communicate their being part of a social sub-group. Within these circumstances, clothing choice acts as a "social glue", denoting group membership and conformity, as well as group alienation (Horn and Gurel, 1981). Within this representative context, the branding of clothing has been found to function as a "communicative short-hand" that acts as an immediate and public device to denote group membership and signifies the values and aspirations of the brand wearer (Evans, 1989).The aim of this chapter is to develop hypotheses for research after discussion on relevant available literature on luxury; brand equity; dimensions of brand equity i.e. brand awareness, brand associations, brand loyalty & perceived quality; & marketing efforts i.e. price, distribution exclusivity, store image, advertising expenditure, celebrity endosrsements , event sponsorships.

2.1 LUXURY

In this section, we define luxury & describe the types of luxury consumers followed bby a discussion on conceptual model of luxury. This section concludes with some unique points regarding luxury marketing i.e. the art of luxury marketing.

2.1.1 Luxury Defined

Luxury is particularly slippery to define. A strong element of human involvement, very limited supply and the recognition of value by others are key components of luxury. Some goods such as water could be viewed by different observers as either a luxury or as a necessity depending on who wants the goods or why (Kemp, 1998). These goods could also be either a luxury or a necessity for the same person in different situations. Consequently, the perception of what is and is not a luxury brand, as well as the amount of luxury contained in a brand, may be dependent on the context and the people concerned. Despite a rapid growth of the luxury goods market and rich accumulated knowledge on the subject, there has been no clear consensus of what constitutes a luxury brand (Vigneron & Johnson, 2004; Vickers & Ronand, 2003; Dubois & Duquesne, 1993). Although adjectives such as "status" (Grossman & Shapiro, 1988; Mason, 1996), "Hedonic" (Dhar & Wertenbroch, 2000) or "top of the range" (Dubois & Laurent, 1993) have sometimes been used in the literature, "luxury" and "prestige" are by far the most widely used words to refer to brands that possess substantial intangible value. Most of the time though, "luxury" and "prestige" are used as synonyms (Bagwell & Bernheim, 1996).

A review and attempt to reconcile the accounts from the literature of economics, marketing and psychology, show a general lack of consensus relating to the definition of prestige. Prestige in different areas leads to different definitions, and each discipline may have its specific definition concerning the concept of prestige. Economists have used luxury instead of prestige in comparisons between luxuries and necessities (Besley, 1989). Marketing textbooks suggest the concept of prestige, when an organization is planning to position a product as high quality or exclusive (McCarthy & Perreault, 1987). On the other hand, social psychologists have long been using the concept of prestige to study the effect of group forces on the formation and change of opinions and attitudes (Lorge, 1936), or to assign prestige scores to social occupations (Asch, 1948).

Vigneron and Johnson (1999) categorized three types of brands as prestigious; upmarket brands, premium brands, and luxury brands, respectively in an increasing order of prestige. They used the term "luxury" when relating to the extreme-end of the prestige-brand category (Figure 2.1). Their assumption was that people would have different perceptions of the level of prestige for the same brands.

Fig. 2.1: Three Levels of Prestige

	- ⟷ +		
	PRESTIGE BRANDS		
Other Types of Brands	Upmarket	Premium	Luxury

Source: Vigneron & Johnson(1999)

Although a brand may be perceived as luxurious, consumers and researchers have recognised that not all luxury brands are deemed equally luxurious. Between premium and luxury, in arketing terms, is a difference of degree (Cornell, 2002). For instance, a Cadillac and a Rolls-Royce may be both perceived as luxury cars, but one compared with the other would be considered more luxurious. In this case, the Rolls-Royce could be assumed to be more luxurious than the Cadillac.

Kapferer (1997b) argued that a luxury brand is a discontinuity *vis-a-vis* other types of brands and made a further conceptual distinction between the different degree of 'luxury' in these brands. Therefore, there is a distinction between luxury brands associated with the upper range of luxury and those associated with the lower range of luxury. A brand may be defined as a luxury brand, but all brands considered luxury brands may not be deemed equal, and one brand having a higher perceived luxury in one product category may have a lower perceived luxury in another product category. Cartier for instance may have a greater luxury image in the jewellery market than in the apparel or fragrance market. The luxury brand Armani may be placed in the upper range of luxury brands whereas Emporio Armani is the more popular Armani brand, crafted to satisfy the need of a larger target luxury market. It may be ranked in a lower level of luxury, but still considered luxury.

According to Dubois and Duquesne (1993), a definite connection between income and culture towards the consumption level of luxury goods exists. As a result, luxury has to be classified or arranged into various forms of hierarchy in order to separate it from other brands. Due to the introduction of different types of luxury, researchers created a hierarchy of luxury goods based on the level of accessibility: inaccessible, intermediate and accessible luxury. Each level of accessibility is determined by the socio-economic class who associates with those goods. The elite social-class correlates to the inaccessible luxury level, professional social-class to intermediate luxury, and middle class to accessible luxury (Vickers & Renand, 2003). The usage of such hierarchy is reaffirmed by Vigneron and Johnson (1999) and Silverstein and Fiske (2003) through a resembling categorization of brands, in decreasing level of prestige, into luxury brands, premium brands, and mass prestige.

The context to understanding luxury goods are separated into mainly economic aspect focusing on conspicuous consumption (Veblen, 1899; Leibenstein, 1950) and a marketing aspect (Dubois & Duquesne, 1993; Dubois, Laurent, & Czellar, 2001), however, several academics have opted for a psychological approach to luxury (Vickers & Renand, 2003; Vigneron & Johnson, 1999). Research on the marketing perspective on luxury goods usually has an economic and psychological foundation incorporated into it. Several academics have concentrated on areas such as culture (de Barnier *et al.*, 2006; Wong & Ahuvia, 1998; Dubois & Duquesne, 1993), socio-demographics (Hauck & Stanforth, 2007), symbolic value (Mortelmans, 2005;

Vickers & Renand, 2003; Vigneron & Johnson, 1999), hedonic or emotional values (Dubois & Paternault, 1995) and consumer perception (Silverstein & Fiske, 2003; Dubois, Laurent, & Czellar, 2001).

Research of academic literature reveals three main interrelated perspectives that were used to study and to define luxury brands, such as economic, psychological and marketing. Initially, economic theories focused mostly on distinctions between luxury and necessity. Nowadays the primary focus of economic theories is the influence of pricing strategies on exclusivity of luxury goods. Based on the connection of price and exclusivity, Groth and McDaniel (1993) developed the Exclusive Value Principle as a framework for marketing strategies to achieve brand exclusivity. According to the authors, the market price for a product is a sum of the pure utilitarian value of the product and the exclusive value premium. For luxury goods, sources of utility include product quality, aesthetic design, excellence of service, etc. Exclusive Value Premium incorporates external factors that motivate luxury goods consumption behavior, such as advertising and promotion campaigns. Phau and Prendergast (2000) point out that while luxury is a subjective concept, luxury brands compete on the ability to evoke exclusivity, a well-known brand identity, brand awareness and perceived quality'. Luxury brands possess "emotional values in access of their functional utility" and "are likely to provide subjective intangible benefits" (Vigneron & Johnson, 1999). Nueno and Quelch (1998) defined luxury brands as those whose ratio of functionality to price is low, while the ratio of intangible and situational utility to price is high. This definition is comparable to the definition made by economists who define luxury brands as those whose price and quality ratios are the highest of the market; that is, their price is significantly greater than the price of products with similar tangible features. Earlier, the concept of luxury was primarily perceived to be an economic concept dealing with price and exclusivity, while the economic condition of a country would determine if a particular good would be considered a luxury or normal good (Mortelmans, 2005; Vickers and Renand, 2003). One of the first academics to explore luxury goods in a socio-economic context was Thorstein Veblen (1899) in *The Theory of the Leisure Class* where he formulated the concept of conspicuous consumption and described the affluent classes purchasing luxury or status goods in order to convey their economic superiority. Social and behavioural psychology defines luxury from luxury goods consumption motivations based on "interpersonal" or "external" factors, such as "opinions, influences, approval and suggestions of or interaction with others" (Groth & McDaniel, 1993) and "personal" or "internal" factors, such as feelings and emotions that stimulate luxury brands' consumption (Vigneron & Johnson, 2004). Luxury goods are consumed either for social recognition, status and positive impression management purposes (Vigneron & Johnson, 1999; Novak & MacEvoy, 1990; Brinberg & Plimpton, 1986) or for hedonic and pleasure-seeking ones (Fenigshtein, Scheier, & Buss, 1975; Vickers & Renand, 2003). The symbolic function of luxury brands and goods conveys messages, such as wealth and success, to the outsider and shows the consumer's desire to be recognized as being part of a high social standing (Langer,1997). The goal of the consumer is to acquire and own good that is capable of exerting and signifying the status they seek to attain, in addition to differentiating one's self or associating with a particular reference group (O'Cass & Frost, 2002). Indeed, Dubois and Laurent (1996) pointed out the emotional value as a vital characteristic of luxury products. They stated that "a vast majority subscribes to the hedonic motive & buy luxury goods primarily for their own pleasure".

Kapferer (1997b) presented the semiotics of the word 'luxury', its sociological references and the pragmatics of luxury-brand management: 'Luxury defines beauty; it is art applied to functional items. They offer more than mere objects: they provide reference of good taste. That is why luxury management should not only depend on customer expectations: luxury brands are animated by their internal programme, their global vision, the specific taste which they promote as well as the pursuit of their own standards. Luxury items provide extra pleasure and flatter all senses at once. Luxury is the appendage of the ruling classes.

Marketing theories on luxury brands are grounded on economic and psychology theories. They deal primarily with differentiation of luxury goods from non-luxury ones, as well as definition of salient product features that could constitute luxury. A three dimensional model differentiating luxury brands from non-luxury ones based on symbolic meanings of luxury brands in terms of functionalism, experientialism and symbolic interaction was developed by Vickers and Renand (2003). Functionalism is defined as product features that could 'solve a current problem' or 'prevent a potential one', such as 'superior quality and strength, durability, confidence of items replacement'. Experientialism incorporates features that could stimulate sensory pleasure and hedonic consumption, such as 'traditional and exclusive designs', 'special richness and tone of decoration', 'elegance of days gone by'. Symbolic interaction implies product components related to status, self-enhancement, and 'group membership, such as 'prestigious name' or recognizable designer style.

However, this literature review reveals that, despite a rapid growth of the luxury goods market and rich accumulated knowledge on the subject, there has been no clear consensus of what constitutes a luxury brand (Vigneron & Johnson, 2004; Vickers & Ronand, 2003; Dubois & Duquesne, 1993) although the proposition by Dubois, Laurent, & Czellar has been considered as the most accurate global one (Dubois, Laurent, & Czellar, 2001). Based on the results of cross-cultural luxury consumer studies, Dubois, Laurent, and Czellar (2001) proposed six main facets of luxury (Table 2.1).

Table 2.1: Six Main Facets of Luxury

Excellent quality	Exceptional ingredients, components delicacy and expertise, craftsmanship
Very high price	Expensive, elite and premium pricing
Scarcity and Uniqueness	Restricted distribution, limited number, tailormade
Aesthetics and Poly-sensuality	Piece of art, beauty, dream
Ancestral heritage and personal history	Long history, tradition, pass-on to generations
Superfluousness	Uselessness, non-functional

Source: Adapted from Dubois et al. (2001)

Each of these facets is inherently connected to each other and varies in degree of significance depending on the consumer. Together, the six facets become the key characteristics which a luxury brand is thought to possess.

Excellent Quality: There has been a high association of luxury and quality (Dubois *et al.*, 2001). In order to determine quality, Mortelmans (2005) has mentioned a superior selection of raw materials and specialized craftsmanship. Certain brands (e.g. Hermes and Cartier) have the element of superior quality connected to the brand due to their historical roots spanning over a century originating from expert artisans in their field. Nevertheless, brands must also be able to translate the high quality unto each of the products they produce (Nueno & Quelch, 1998). The level of quality associated with luxury brands should be able to provide consumers with the reassurance of reliability and durability which is sometimes not present in mass-produced goods. The amount of effort and time taken for an artisan to hand-craft such a product can be used to portray a higher level of quality than a product manufactured in mass.

Very High Price: Inevitably, luxury brands have been associated with high price where a "prestige-pricing strategy" is applied to conspicuous consumers. For a particular group of consumers, the price point of a product may draw or retract them from the initial purchase. It is the determinant whether the luxury good is accessible or not. Psychic energy comes into play when the good is inaccessible and results in a higher degree of self achievement once the good is acquired. Despite this, price is considered to be one of the most critical facets of a luxury brand since it is able to exert other characteristics linked to luxury like quality, scarcity and uniqueness (Mortelmans, 2005; Dubois *et al.*, 2001; Vigneron & Johnson, 1999). It is due to these elements that luxury goods are able to justify such a high price.

Scarcity and Uniqueness: Scarcity and uniqueness are essential attributes of luxury brands in creating what is otherwise known as rarity and customization. The appeal of luxury is the percentage of exclusivity which is attached to it. When a product becomes rare or scare, the consumer demand and preference will increase especially when the product contains a high value. Catry (2003) asserts the importance of conceiving the illusion of scarcity as opposed to actual scarcity in order to prevent the market from becoming too diluted. Three methods of executing this illusion are techno-rarity, limited editions, and information-based rarity. Firstly, techno-rarity consists of products which are innovative, from research and technological developments, to contain specialized features distinguishing it from other brands. On the contrary, there is the risk where technological advancements can gradually become the norm. Secondly, limited editions allow luxury brands to create the perception of scarcity through specifically limiting production to a predetermined number of goods. In certain occasions, it is able to generate a waiting list due to high consumer demand. Though economies of scales would not be attained, luxury brands are able to command a premium price. Lastly, information-based rarity is how luxury brands attempt to control channels of distribution to maintain the scarcity appeal connected with luxury (Mortelmans, 2005; Nuneo & Quelch, 1998). Minimizing distribution channels enables the companies to retain the image of exclusiveness and rarity. Moreover, the consumer supports and assumes luxury brands would have a restricted distribution (Dubois *et al.*, 2001).

The uniqueness factor, to certain degrees, can be perceived in various ways ranging from customization to a brand's signature design. Numerous brands have a signature design where consumers are able to distinguish instantly from looking at it. For example, Chloé leather bags must all have the famous Chloé inscribed padlock (Nueno & Quelch, 1998). Raw materials, such as ostrich and crocodile skin, can also be an indicator of uniqueness. A truly unique product would have to be customized to the owner's specific specifications and to be called 'one of a kind'.

The first three facets of luxury closely effect and influence each other. When a luxury good is less accessible and is manufactured from the highest quality, it justifies the exorbitant price tag, illustrating the Veblen effect.

Aesthetics and Poly-Sensuality: Consumers of luxury brands understand that they are not receiving just a quality purchase but a pleasurable experience of refinement and excellence. Danziger (2005) has called it the 'experiential' and 'psychographic aspect of luxury'. The aesthetic appeal of luxury goods has been stronger than in normal goods, and on occasions they are treated as pieces of art incorporating elements of design, color and style (de Barnier *et al.*, 2006). The artistic characteristic develops from the designer and the craftsmanship. It is infused in the brand unto the product and also the environment it is present in. Attention has been directed towards in-store atmospheres and sale assistants in expressing aesthetic appeal through services the brand provides, referred to as the interactive stage (Dalton, 2005). Because an object is identified as luxury, consumers expect a superior good and experience to come out of it, gravitating the consumer into another level of consumption unique only to luxury brands. As a result, luxury brands and goods have to adhere to the consumer's senses allowing a hedonic experience to occur

(Dubois *et al.*, 2001). The consumption of luxury becomes a pleasure-seeking activity where it is up to the brands to be able to entice the consumers. In addition, the experiential and symbolic dimension of luxury can generate qualities of self-enhancement in the individual consumer (Dubios *et al.*, 2001). Luxury brands evolve to become a part of the self in terms of identity where possessions influence their distinctiveness onto the individual and vice versa (Belk, 1988). By asserting that an object is 'mine', it is showing ownership and connection that the object is a reflection of the person. The close relationship and overlaps with other elements of luxury is what makes luxury brands appeal to consumers.

Ancestral Heritage and Personal History: The essence of a luxury brand can possibly be derived from its history that can range from several decades to a century. A legend or story attached to the luxury brand has been usually highlighted since it is channel for the brand to make a connection with the consumer, in addition to using as a symbol of their status (Dubois *et al.*, 2001). Even though present luxury brands have extended to other areas, each brand originally started out with its own expertise in which they have gained a reputation for. For example, Hermes was established in 1837 specializing in saddles and leather goods . A brand is built with the hope of it to become an institution and timeless, attainable merely from decades of developing the brand and unfaltering quality assurance leaving a lasting impression on the consumers. The historical aspect functions as a reassurance of quality since the years of existence is able to guarantee that the luxury brand is reliable. A personal history or attachment can be developed to a luxury brand or good as a result of a particular situation in the individual's life. Emotional characteristics will have an influential role when it comes to product purchase. Hence, connections with particular luxury brands can be formed with knowledge transfer through word of mouth is especially true when consumers expect a luxury good to have a long life span, along side the possibility of passing it onto future generations (de Barnier *et al.*, 2006; Dubois *et al.*, 2001).

Superfluousness: Lastly, the sixth facet of luxury, superfluousness can be described as the indulgence into unnecessary goods and the additional benefits often associated with luxury goods. It can be in the form of tangible or intangible benefits, which do not concern the utility aspect of the good. In most cases, luxury brands and the products they offer are perceived as unnecessary purchases since it is not a significant part of daily survival. Despite the fact that luxury goods are viewed as more attainable, it also makes them one of the most easily disposed of items if the price were to increase rapidly (Kemp, 1998).

2.1.2 Luxury Consumers

The nature of the luxury market is evolving due to the change in potential consumers, which is affecting other areas of the luxury market like retailing. Level of income has been considered as one of the most significant factors on purchasing behavior of luxury goods, but on the other hand, the cultural aspect should not be disregarded (Dubois & Duquesne, 1993). The rise in income has allowed the middle-class to afford brands and products which were previously out of reach (Catry, 2003).

However, there is increasing recognition that consumers of luxury brands and goods in different categories are not necessarily from the affluent classes (Vickers & Renand, 2003). It becomes a debate concerning luxury versus necessity which can be seen in an economic and marketing context (Kemp, 1998). Cohort and socio-demographic segmentation, regardless of affluence, has a role in patterns of luxury consumption. The experiences encountered in each generation that the consumer belongs to will influence their perceptions, consumption behavior and evoke emotions in particular goods (Hauck & Stanforth, 2007; Ma & Niehm, 2006). Wong and Ahuvia (1998) compared luxury consumption in Confucius and Western societies in their study and concluded that there are certain Asian cultural behaviors which emphasize the conspicuous consumption model.

Solomon (2004) divided the customers into three categories with respect to their attitudes towards luxury:

1. *Luxury is functional.* These consumers buy products that have enduring value after conducting extensive pre-purchase research. They base their purchasing decisions on logic rather than emotion.
2. *Luxury is a reward.* This group tends to be younger than the first one. They desire to be successful and to demonstrate their success to others. These consumers purchase conspicuous luxury items such as high-end cars and lavish homes.
3. *Luxury is indulgence.* This group is the smallest of the three and tends to be the youngest of all. They are willing to pay a premium for items expressing their individuality and attracting the attention of others. They often base their purchasing decisions on emotions and are more likely to buy impulsively.

2.1.3 The Conceptual Model of Luxury

According to this model of consumer perception and profiling (Vigneron & Johnson, 2004) the consumer basically wants to own a luxury product because it fulfils many of his or her latent desires and needs besides giving the pleasure of impressing others. So while buying a luxury product the consumer is basically motivated by a host of factors that cross his mind during the decision making process. This can be called as the 'Brand Luxury Index', which maps the total perceptions with regards to value possession and value gain that crosses the mind of the consumer and which make up the luxury or value quotient of goods and services. These quotient or variables fashion the decision making process of the consumer to prefer purchase of luxury goods. They are the financial value, functional value, individual value and social value. These apparent values have their antecedents in the objectives that are being achieved by purchase of luxury goods. So, financial value is achieved by price value i.e. the psychological satisfaction of paying a hefty price for a high quality product. In the same way functionality value is achieved by the usability value, quality value and uniqueness value of the luxury product, individual value is obtained by the self-identity value, hedonistic value and materialistic value by mere possession of the luxury product and social value is achieved by the conspicuousness value and prestige value achieved by possession of a luxury product. The different values as shown in Fig 2.2 are explained hereby.

Financial Value: This is the direct benefit that motivates the customer to buy a luxury product i.e. the possession of the luxury product by paying a hefty price automatically gives instant recognition, prestige and class to the consumer.

Functional Value: The functional values of possession of the luxury product are the basic utilities that are gained by possession of that product i.e. usability, high quality and unique attributes that are different and above the ordinary.

Individual Value: The individual value after possession of luxury goods stems from the perception of the customer regarding the enhanced feeling of self identity and materialism i.e. by possession of luxury goods the individual customer is able to satisfy its utmost materialistic desires and the urge to make a statement of fulfilment after possession of luxury goods.

Social Value: The social value that is hoped to be achieved by the consumer by possession of luxury goods is related to the display aspect of the luxury goods and the message that it sends to the society by possession of such goods. These messages are related to class, exclusivity, enhanced social status and prestige in the society for the owner of luxury goods.

Price Value: The price of a luxury good performs the function of sending the message about the enhanced quality and standard of the product thereby luring the customer to buy that product

Usability Value: Luxury goods tend to send the message that they are superior in terms of usability from general goods of their product category in all sections of functionality of that product.

Quality Value: By buying a luxury good the consumer gets the perception that it is in possession of a high quality good in terms of its functionality and aesthetic appeal

Uniqueness Value: The consumer has a preconceived notion that the luxury products are unique in nature and they are hard to come by, which in turn also enhances their uniqueness. This becomes a deciding and alluring factor to possess luxury goods.

Self-Identity Value: Consumers have an affinity to aspire for the best for themselves and always want to be associated with symbols and embodiments of excellence and quality. As luxury goods bring with them these qualities the consumer associates with the luxury products as an extension of its inner self identity. As a result the consumer desires to possess luxury goods to boost the self image.

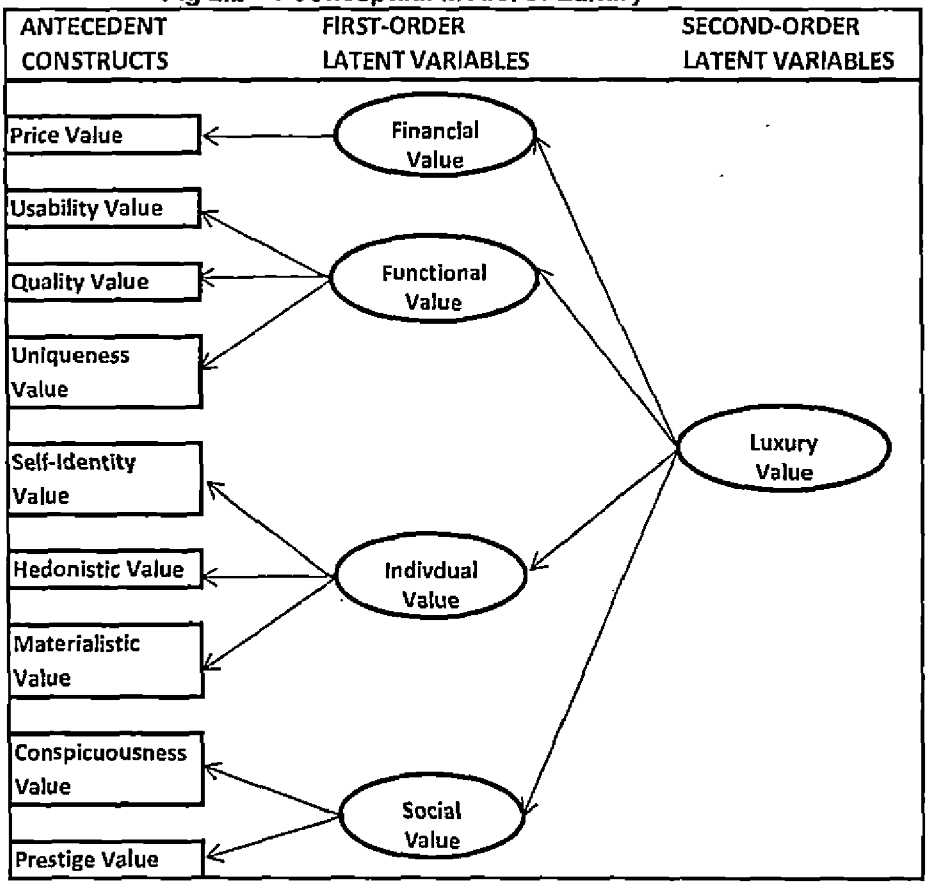
Hedonic Value: Luxury goods by virtue of their superior quality have a reputation of giving the utmost pleasure in terms of usability and satisfying the emotional needs. So the consumer tends to long for luxury goods as they get satisfaction and pleasure of possessing and using a high quality good and revel in its appeal

Materialistic Value: Luxury goods have a perception of being the embodiment of ultimate materialism i.e. they are the highest strata of materialistic possessions. So naturally consumers will always aspire to get the ultimate feeling of materialism, which induces them to buy luxury goods at any cost.

Conspicuousness Value: Possession of luxury goods sends the message in society that the possessor of these goods comes from the elite class and is in an economically and socially well-off position. So, this becomes one of the attractions for prospective consumers to go for luxury goods.

Prestige Value: The mere possession of luxury goods instantly and automatically gives the consumer the status of coming from the prestigious and affluent strata of the society. It enhances the social standing. So possession of luxury goods is logically longed by prospective consumers.

Fig 2.2 : Conceptual Model of Luxury



Source: Academy of Marketing Science Review
Accessed at: http://www.amsreview.org/articles/wiedmann07-2007.pdf

2.1.4 The Art of Luxury Marketing

Even though the world of luxury is often perceived as frivolous by most people, it involves a lot of hard work. Luxury brands require advanced thinking in business practise, and the most creative approaches. Customers expect to see the highest standards at every level, and so luxury marketers immediately feel the pressure of competition and chase for high(er) creativity. Luxury brands are characterised by constant research of new and more effective marketing approaches. Following is a list of the so-called *"paradox of luxury"* (Ward and Chiari, 2008):

> ***Demand paradox:*** Luxury products do not aim to build a demand loyalty, because once a luxury product or a brand has been experienced, it is unlikely that the same choice will be made in the future. For example, after a trip there is a high probability that the customer will choose another luxurious destination, not the same one again.
> ***Product paradox:*** Luxury products come from stylist creations and not from studying the consumer's needs. It is not a product that meets the customers' needs, but rather one which creates and markets itself because buyers simply desire the new creation.
> ***Price paradox:*** Luxury product price is not the result of cost analysis or brand mapping. In fact the perceived value of the product is often unrelated to the cost of the raw material because the price of the product is, in a certain way, the price of a dream.
> ***Distribution paradox:*** High diffusion is negative for the luxury product or service image, because it would destroy the element of rarity.
> ***Communication paradox:*** Creativity is already part of the product so does not need to be enhanced through communication. A product with the brand name is enough if the brand is really prestigious.

2.2 BRANDS & BRAND EQUITY

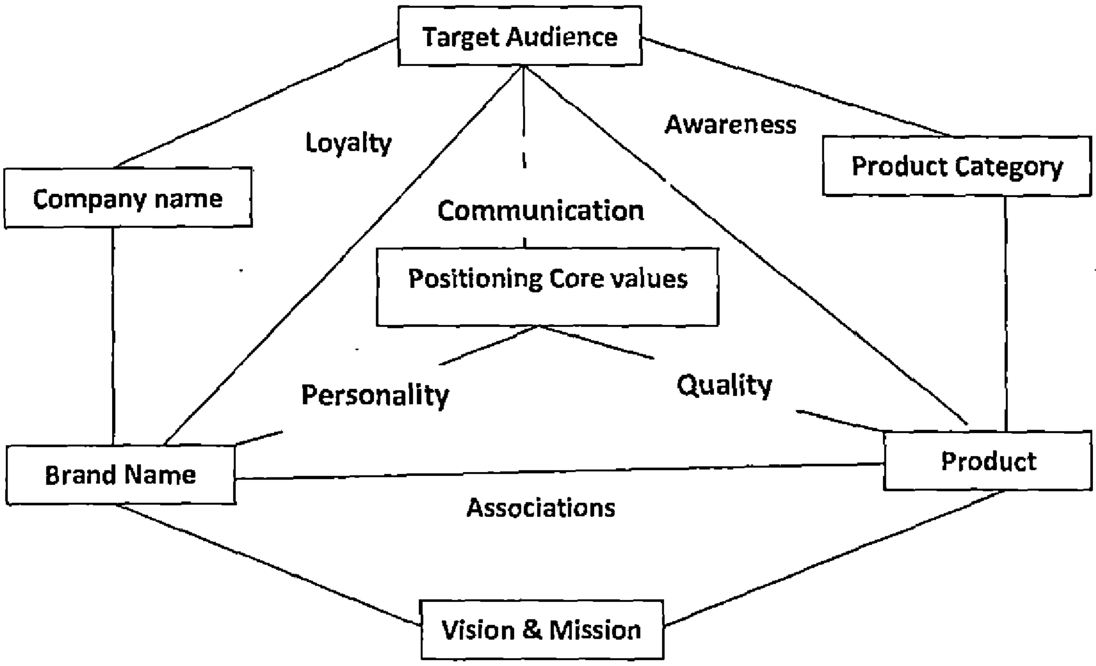
The central concern of brand building literature has experienced a dramatic shift. Before the shift in focus towards brands and the brand building process, brands were just another step in the whole process of marketing to sell products. For a long time, the brand has been treated in an off-hand fashion as a part of the product (Urde, 1999). Kotler (2002) has mentioned branding as "a major issue in product strategy". As the brand was only part of the product, the communication strategy worked towards exposing the brand and creating brand image. Aaker and Joachimsthaler (2000) mentioned that within the traditional branding model the goal was to build brand image; a tactical element that drives short-term results. Kapferer (1997b) has mentioned that before the 1980's there was a different approach towards brands i.e. the companies wished to buy a producer of chocolate or pasta: after 1980, they wanted to buy KitKat or Buitoni. This distinction is very important; in the first case firms wish to buy production capacity and in the second they want to buy a place in the mind of the consumer. In other words, the shift in focus towards brands began when it was understood that they were something more than mere identifiers.

Aaker and Joachimsthaler (2000) left behind the traditional branding model and introduced the brand leadership model, which emphasized strategy as well as tactics. In this model, the brand management process acquires different characteristics: a strategic and visionary perspective; the brand manager is higher in the organization, has a longer time job horizon, and is a strategist as well as communications team leader; building brand equities and developing brand equity measures is the objective; and, brand structures are complex, as the focus is on multiple brands, multiple products, and multiple markets. In short, brand identity and creating brand value become the drivers of strategy. Davis (2002) also talks about a new way of managing brands. He argues that brands, along with people, are a company's most valuable asset. There is growing support for viewing and managing the brand as an asset and thus having the brand drive every strategic and investment decision (Davis & Dunn, 2002).

Urde (1999) presents Brand Orientation as another brand building model that focuses on brands as strategic resources. Brand Orientation is an approach in which the processes of the organization revolve around the creation, development, and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands. Brand orientation focuses on developing brands in a more active and deliberate manner, starting with the brand identity as a strategic platform. According to the brand orientation model, "the starting point for a process of brand building is to first create a clear understanding of the internal brand identity. The brand then becomes a strategic platform that provides the framework for the satisfaction of customers' wants and needs". Urde's Brand Hexagon (1999), shown in Figure 2.3, integrates brand equity and brand identity with a company's direction, strategy and identity. The right side of the model reflects the reference function -product category and product, which are analyzed rationally-, while the left side of the model reflects the emotional function – corporate and brand name, which are analyzed emotionally. "A brand is experienced in its entirety", which means that both emotions and rational thought are involved. The lower part of the model -mission and vision- reflects the company's intentions towards the brand, while the upper part reflects the way that target consumers interpret the brand. At the center of the model lies the core process of brand meaning creation, which includes the positioning and core values.

Earlier models – such as Aaker's brand equity model and Keller's customer-based brand equity model – have focused heavily on how consumers perceive and evaluate brands by investigating certain knowledge structures such as brand awareness, image and personality (Aaker, 1991; Aaker, 1997; Keller, 1993). Later, researchers have argued that it is important to consider how consumers build brand relationships and form brand communities similar to how they build relationships and communities in their personal lives (Fournier, 1998; Grossman, 1998; McAlexander, Schouten, & Koenig, 2002; Muniz & O'Guinn, 2001).Some of the shifts from traditional brand management to this new model are highlighted in Table 2.2.

Fig. 2.3: Brand Hexagon



Source: Urde, 1999

Although overall opinion is that the brand valuation is often focused on balance sheet valuations, the reality is that the majority of valuations are now actually carried out to assist both brand management and strategic decisions. Brand value can be enhanced through brand management, and in this way increase the value of the company in the eyes of the customers as well as of potential investors. Therefore, companies are increasingly recognizing the importance of brand guardianship and management as the key to successful business management.

The value associated with the product or service is communicated through the brand to the consumer. Consumers no longer want just a service or a product but a relationship based on trust and familiarity. Consequently the company will enjoy earnings stream secured by loyalty of customers who are buying the brand. Company which owns the brand "enjoys" the benefits not available to companies which do not own it. One of them is that a company, through brand, acquires a good communication tool. This communication is not one-way. This means that enterprises are good "communicators" only if they are good listeners of what customers have to say. In addition, successful brands are the outcome of good communication. The direct result of good communication between a company and a customer is the brand loyalty. It is a consequence of trust, on which the relationship between the company and the customer is based on.

Table 2.2 Shift from Traditional Brand Management to Brand Asset Management

Traditional Brand Management		Brand Asset Management Strategy
Brand management	→	Brand Asset Management Strategy
Brand managers	→	Brand champions and ambassadors
Retention	→	Deep loyalty
One-time transactions	→	Lifetime relationships
Customer satisfaction	→	Customer commitment
Product-driven revenues	→	Brand-driven revenues
Three-month focus	→	Three-year focus
Market share gains	→	Stock price gains
Marketing manages the brand	→	All functional areas manage the brand
Awareness and recall metrics	→	Sophisticated brand metrics
Brand is driven internally	→	Brand is driven externally

Source: Davis, 2002

Trust building requires long-term concentration. It takes money, patience, knowledge and the most important: it takes time. Losing the trust costs a lot more: net present value of all future net earnings from the brand (Yates, 1999). Therefore, a smart player in the market cannot afford to lose the trust of a customer. That is why many companies are investing significant amounts of money into both products and brand management.

2.2.1 What is A Brand?

The number of definitions used for the term brand is large. There are two main views of brands, one focusing on its technicalities from the owner's point of view, and one on its effects in consumers' minds. As an example for the first, Aaker (1991) has stated that "a brand is a distinguishing name and/or symbol (such as logo, trademark, package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate these goods or services from those of competitors." The effect-based view looks at what brands provoke in consumer's minds, and how brands affect their behavior. From this perspective, brands can be described as "a collection of perceptions in the mind of the consumer" (Feldwick, 1996). To distinguish the technical view (i.e., logos, package design) from the effect-based view (i.e., perceptions in consumers' minds), some authors (most notably Aaker, 1991; Keller, 1993) have preferred using the term "customer-based brand equity" for the later.

The different approaches to defining the brand construct partly stem from differing philosophies (such as product-plus and holistic branding outlined below) and stakeholder perspective, i.e. a brand may be defined from the consumers' perspective and/or from the brand owner's perspective. In addition, brands are sometimes defined in terms of their purpose, and sometimes described by their characteristics. The American Marketing Association has proposed the following company oriented definition of a brand as: A name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. This definition has been criticised for being too product-oriented, with emphasis on visual features as differentiating mechanisms (Arnold, 1992). Despite these criticisms, the definition has endured to contemporary literature, albeit in modified form. Watkins (1986), Aaker (1991), Stanton, Etzel, & Walker (1991), and Doyle (1994) have adopted this definition.

Dibb, Simkin, Pride, & Ferrell (1997) have used the Bennett (1988) variant of the definition which is: A brand is a name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of other sellers. The key change to the original definition are the words "any other feature" as this allows for intangibles, such as image, to be the point of differentiation. The particular value of this definition is that it focuses on a fundamental brand purpose, which is differentiation. The other key feature of this definition is that it takes the corporate perspective rather than emphasising consumer benefits. Ambler (1992) takes a consumer-oriented approach in defining a brand as: the promise of the bundles of attributes that someone buys and provide satisfaction. The attributes that make up a brand may be real or illusory, rational or emotional, tangible or invisible. These attributes emanate from all elements of the marketing mix and all the brand's product lines. The attributes of a brand are created using the marketing mix, and are subject to interpretation by the consumer. They are highly subjective.

Many other brand definitions and descriptions have focussed on the methods used to achieve differentiation and/or emphasise the benefits the consumer derives from purchasing brands. These include (inter alia) definitions and descriptions that emphasise brands as an image in the consumers' minds (Boulding, 1956; Martineau, 1959, Keller, 1993), brand personality (Alt and Griggs, 1988; Goodyear, 1993; Aaker, 1997), brands as value systems (Sheth, Newman, & Gross, 1991), and brands as added value (Levitt, 1962; de Chernatony & McDonald, 1992; Murphy, 1992; Wolfe, 1993; Doyle, 1994). Brown (1992) takes a broad approach to these concepts in defining a brand as nothing more or less than the sum of all the mental connections people have around it. The boundaries between these definitions are not distinct, with each merely focusing on different aspects of what Ambler (1992) refers to as "bundles of attributes". A key contribution of this approach is not one of definition, but of understanding the characteristics of brands. Unfortunately there has been a proliferation of brand "definitions", when perhaps subsets of brands or brand characteristics are being described.

Table 2.3: Summary of Brand Definitions and Descriptions

Emphasis on Brand Benefits to the Company	Emphasis on Brand Benefits to the Consumer
Aaker (1991) ; American Marketing Association (1960); Bennett (1988); Dibb *et al.* (1997); Doyle (1994); Kotler *et al.* (1996); Stanton *et al.*, (1991); Watkins (1986)	Aaker (1996a); Alt and Griggs (1998); Ambler (1992); Boulding (1956); Brown (1992); de Chernatony and McDonald (1992); Doyle (1994); Goodyear (1993); Keller (1993); Levitt (1962); Martineau (1959); Murphy (1992); Sheth *et al.* (1991); Wolfe (1993)

Source: Adapted from Wood, 2000

Styles and Ambler (1995) identified two broad philosophical approaches to defining a brand. The first is the product-plus approach which views branding as an addition to the product. The brand is essentially viewed as an identifier. In this context, branding would be one of the final processes in new product development, i.e. it is additional to the product. The second approach is the holistic perspective in which the focus is the brand itself. Using the marketing mix, the brand is tailored to the needs and wants of a specified target group. The elements of the marketing mix are unified by the brand such that the individual elements of the mix (for instance price), are managed in a way which supports the brand message. Holism is considered important for the creation of high brand equity as it rejects practices such as discounting a premium brand for short-term gain. Table 2.3 summarises the breadth of definitions.

2.2.2 Why Brands?

Building strong brands has been one of the most important goals of product and brand management. Strong brands result in higher revenue streams, both short term and long term (Aaker, 1991; Keller, 2003). Therefore, the stated goal of strategic brand management has been to build brands that last for decades and can be leveraged in different product categories and markets (Aaker, 1996b).

The benefit of branding is that the brand designates a product or a service as being different from competitors' products and services by signalling certain key values specific to a particular brand. Consumers' perception of brands is established from and based on both emotional and rational reasons. This provides the basis for the ongoing relationship between a supplier and a consumer, and because of this, brands provide a security of demand that the supplier otherwise would not enjoy.? The reasons as to why do brands "work" for customers are familiar: a brand simplifies everyday choices, reduces the risk of complicated buying decisions (Abratt & Bick, 2003), provide emotional benefits, and offers a sense of community (Zalewska, 2002).

2.2.3 Brand Equity

Brand equity research seems to have integrated the most traditional academic research that has been done in marketing over the last 30 years (Barwise, 1993) in a way directly applicable to marketing practice for branded goods. In general, almost every marketing investment and action for a brand seems to be interpreted as a successful or unsuccessful effort to build, manage, and exploit brand equity (Aaker, 1991; Keller, 1993). The literature consistently suggests that brand equity should be an important research domain in marketing because it is considered as the composite of important consumer behavior variables such as brand loyalty, perceived quality, brand awareness, and brand associations. To managers, brand equity is very important because it contributes positively to both long-term profits and sales.

The concept of brand equity gained importance in the early 1990s to bridge the gap between short- and long-term marketing success by denoting a non-financial, market-based intangible asset which reflects a storehouse of future profits resulting from past marketing activities (Ambler, 2003). A decade later, brand equity became an integral component of marketing performance measurement (Ambler, Kokkinaki, & Puntoni, 2004; Ambler, 2003). According to Lassar *et al.* (1995), five dimensions configure brand equity: performance, value, social image, trustworthiness, and commitment. Aaker and Joachimsthaler (2000) define brand equity as brand assets linked to a brand's name and symbol that add to, or subtract from, a product or service. According to them, these assets can be grouped into four dimensions: brand awareness, perceived quality, brand associations, and brand loyalty.

2.2.3.1 Importance of Brand Equity

The importance of evaluating brand equity is clearly visible in merger and acquisition activity. The 2005 acquisition of Gillette Company by Proctor and Gamble illustrated this as the purchase price of $57 billion was 19 times Gillette's earnings before interest, taxes, and depreciation (Byrnes, 2005). Additional research has revealed that companies will pay a premium to acquire or merge with a competitor that has recognized high brand equity as a means of hedging against new product costs (Mahajan, Rao, & Srinivastava, 1994). Researchers have also found that brands with high brand equity receive a considerable purchase price, even when a company has declared bankruptcy (Kaikati & Kaikati, 2003). Converse, Bugle Boy, and Schwinn are noted examples of this, selling for $117.5 million, $68.6 million, and more than $60 million respectively, suggesting that high brand equity can provide rewards even when a company is in a poor financial position. Brand equity has been recognized in the name and symbols associated with a company, and the very act of social responsibility is believed to be a significant driver for building brand equity (Wood, 2000). The direction a company takes in assisting the general public, or dealing with a corporate mistake, assists consumers in building attitudes and associations towards a specific brand and results in reinforcing their purchase behaviors.

Prior research established a positive effect of brand equity, *inter alia* on consumer reference and purchase intention (Cobb-Walgren *et al.*, 1995), market share (Agarwal

& Rao, 1996); consumer perceptions of quality (Dodds *et al.*, 1991); consumer evaluations of brand extensions (Aaker & Keller, 1990); shareholder value (Kerin & Sethuraman, 1998); price inelasticity (Erdem, Swait, & Louviere, 2002) and resilience to product harm crisis (Dawar & Pillutla, 2000). Aaker (1991) asserted brand equity provides value (a) to the customer by enhancing the customer's interpretation or processing of information, confidence in the purchase decision, and use satisfaction, (b) to the firm by enhancing efficiency and effectiveness of marketing programs, customer retention, prices/margins, brand extensions, trade leverage, and competitive advantages. In a similar way, Keller (1993) argued that positive brand equity brings about enhanced revenues, lower costs, and greater profits.

It has been argued consistently that brand equity increases the probability of brand choice, customer (and retailer) retention, margins, willingness to pay premium prices, consumer search, marketing communication effectiveness, brand licensing opportunities, and brand extensions; it decreases vulnerability to competitive marketing actions and elastic responses to price increases (Aaker, 1991; Keller, 1993). Brand equity can be also leveraged through brand extensions and geographical or international expansions (Barwise, 1993; Farquhar, 1990; Lane & Jacobson, 1995; Rangaswamy, Burke, & Oliva, 1993; Reiser, 1993; Simon & Sullivan, 1993; Smith & Park,1992). A product with high brand equity can be extended to products in relevant product categories and geographical expansion of a brand can be achieved through joint ventures and licensing agreements. Brand equity is a critical determinant even in acquisition decisions (Mahajan *et al.*, 1994) and stock market participants' responses to brand extension announcements (Lane & Jacobson, 1995). In summary, from a managerial perspective, brand equity provides sustainable competitive advantages to the firm (Bharadwaj, Varadarajan, & Fahy, 1993).

A primary responsibility of brand managers should be to build up the equity of a brand, since the result provides value to both the firm (e.g., via effectiveness of marketing programs, brand loyalty, price premiums, favorable environment for brand extensions, and so on) and the customer (e.g., via enhanced information processing, purchase decision confidence, and increased satisfaction) (Aaker, 1991; Keller, 1993; Cobb-Walgren *et al.*, 1995). Brand equity has various benefits for a firm. Strong brands enhance consumer awareness, loyalty, and the efficiency and effectiveness of marketing and advertising programs (Aaker, 1991; Aaker & Biel, 1993). In other words, enhanced brand equity leads to higher prices, lower price elasticity, greater competitiveness, and, ultimately, higher profits and market value (Aaker & Biel, 1993; Graeff, 1997). According to Lane and Jacobson (1995), brand names are valuable because of their ability to maintain and create earnings for the firm over and above those generated by tangible assets. The financial value of brand equity stems not only from the additional earnings that accrued to a specific product in its traditional market but also because an established name can be used with new and different products. Adler and Freedman (1990) have further suggested that brand equity can provide short-term protection from competition (based on consumer loyalty and switching costs), and can also be used to deflect competitive initiatives, such as through the judicious use of trade leverage.

Mahajan *et al.* (1994) have described the results of brand equity as:

- Enhanced performance (for example, increase in market share or increase in revenues due to the firm"s ability to charge a premium price) and/or marketing efficiency (for example, reduced advertising and promotional expenditures) associated with the brand.
- Longevity (or vulnerability) of a brand due to its loyal customer base and distribution relationships, and
- Carryover potential (or extensibility) to other brands and markets of the acquiring firm.

2.2.3.2 Approaches to Brand Equity

While most of the existing literature on brand equity measurement has adopted either a distinctively consumer-based or a firm-based approach, a number of recent studies have started to look into the link between consumer-based brand equity and the brand's market performance. For example, Srinivasan, Park, & Chang (2004) calculated the effect of a consumer's incremental choice probability of purchase on a brand's contribution margin to the firm, and Kim, Kim, & An (2003) examined the correlation between consumer-based measures of a brand's perceived quality, awareness, loyalty, and image, and the firm's revenue. Other researchers including Aaker and Jacobson (1994) used regression methods to show the association between perceived quality and a firm's stock price, and Aaker and Jacobson (2001) showed that brand attitude can predict a firm's stock value and future earnings in high-technology markets.

In addition, there is a rich, complementary stream of research that specifically examines the link between customer satisfaction (a key component of consumer-based brand equity) and firm performance, particularly in service-oriented sectors and industries. For example, Kotler (2002) suggested that high customer satisfaction ratings are generally believed to be the best indicator of a firm's future earnings. Anderson, Fornell, & Lehmann (1994), using data across a wide variety of industries in Sweden, found that a positive link exists between customer satisfaction and profitability (measured in the form of returns on investment), and they proposed that satisfaction with the product is a function of the customer's perceived quality, expectations, and price of the product.

According to Lassar *et al.* (1995), brand equity has been examined from a financial (Farquhar, Han, & Ijiri, 1991; Simon & Sullivan, 1993; Kapferer, 1997a; Doyle, 2001), and a customer-based perspective (Keller, 1993; Shocker, Srivastava, & Rueckert, 1994; Chen, 2001). In other words, financial meaning "from the perspective of the value of the brand to the firm", and customer-based meaning "the value of the brand for the customer which comes from a marketing decision-making context". Financial value-based techniques extract the brand equity value from the value of the firm's other assets (Kim *et al.*, 2003). Simon and Sullivan (1993) defined brand equity as "the incremental cash flows which accrue to branded products over and above the cash flows which would result from the sale of unbranded products". These authors estimated a firm's brand equity by deriving financial market estimates from brand-related profits. Taking the financial market value of a firm as a base, they extracted the firm's brand equity from the value of the firm's other tangible and intangible assets, which results in an estimate based on the firm's future cash flows. Along the same line of thought, Doyle (2001) argued that brand equity is reflected by the ability of brands to create value by accelerating growth and enhancing prices. In other words, brands function as an important driver of cash flow.

Marketing research has largely concentrated on consumer-based brand equity as opposed to firm-based brand equity. This is because the consumer-based approach offers insights into consumer behaviour which can be converted into actionable brand strategies (Keller, 1993). As a result, marketing researchers made contributions *vis-à-vis* consumer-based brand equity's conceptualisation (Erdem & Swait,1998; Keller,1993), measurement (Netemeyer, iBalaji, Chris, Guangping, Mehmet, Dwane, Joe, & Ferdinand, 2004; Ailawadi, Lehmann, & Neslin, 2003; Vázquez, Del Río, & Iglesias, 2002; Yoo & Donthu, 2001; Park & Srinivasan, 1994), and validation of instruments (Washburn & Plank, 2002; Mackay, 2001; Agarwal & Rao, 1996).

2.2.3.3 Theories of Brand Equity

Current knowledge of consumer-based brand equity has evolved from two theoretical approaches: cognitive psychology and signalling theory in information economics. Brand equity research rooted in information economics takes into account the imperfect and asymmetrical nature of contemporary markets. According to this view, economic agents transmit information by means of signals and brand names may act as such signals to consumers (Erdem & Swait, 1998). From this perspective, a brand signal becomes the sum of that brand's past and present marketing activities. Imperfect and asymmetrical market information creates uncertainty in consumers' minds about available products or services. A credible brand signal generates customer value by: (i) reducing perceived risk; (ii) reducing information search costs, and (iii) creating favourable attribute perceptions. Under this view, consumer-based brand equity is therefore defined as the "value of a brand signal to consumers".

On the other hand, the dominant stream of research is grounded in cognitive psychology, focussing on memory structure (Aaker, 1991; Keller, 1993). Aligning with the psycho-cognitive framework, Keller (1993) defined consumer-based brand equity as the "differential effect of brand knowledge on consumer response to the marketing of the brand." According to this conceptualisation, a brand is positively valued when the consumer reacts more favourably to the marketing of a product with a known brand name compared to an identical yet unbranded product. Brand knowledge is then conceptualised as an "associative network memory model" consisting of two dimensions: brand awareness and brand associations in consumer memory. Positive consumer-based brand equity arises when the consumer is aware of the brand and also has strong, unique and favourable brand associations in his or her mind.

2.2.3.4 Brand Equity Measurement

For the most part, consumer-based brand equity models study the way a brand is perceived in a consumer's mind by collecting primary data directly from the consumer through interviews, surveys or experiments. A number of studies, however, have also used firm-based (e.g. scanner) data on the consumer's revealed preference behavior to measure brand equity by defining it as a form of incremental utility which a product's brand name provides to the consumer, and measure brand equity as a component of the consumer's utility in a choice model under a random utility framework (McFadden, 1974). For example, Kamakura and Russell (1993) used household panel data to decompose the brand constant in a logit choice model into a 'Brand Tangible Value', which measures the customer's valuation of the brand based on tangible product attributes after discounting for price and recent advertising, and 'Brand Intangible Value', which measures the residual value not directly attributable to the physical product and serves as a measure of the product's brand equity. Such utility-based models have also been developed using choice models estimated from consumer survey data. Examples include Park and Srinivasan (1994), who calculated brand equity as the difference between a consumer's overall utility from a brand and her utility based only on objective product attributes, and Swait *et al.* (1993), who defined brand equity as the consumer's implicit valuation of the brand in a market with differentiated brands relative to a market with no brand differentiation.

Customer mindset measures as defined by Keller & Lehmann (2003) include "everything that exists in the minds of customers with respect to a brand (e.g. thoughts, feelings, experiences, images, perceptions, beliefs, and attitudes)" and encompass a wide variety of both quantitative and qualitative measures of brand equity. Such measures of consumer-based brand equity have received considerable attention in both academia (e.g. Aaker, 1996b; Keller, 2003; Erdem & Swait, 1998; Swait, Erdem, Louviere, & Dubelaar, 1993) as well as industry (e.g. Young and Rubicam's 'Brand Asset Valuator'; Total Research Corporation's 'Equitrend'; Landor Associates' 'Image Power'). Keller (2003) and Keller and Lehmann (2003) suggested that customer mindset measures can be summarized by five key dimensions that include brand awareness, associations, attitudes, attachment, and activity. Aaker (1991) proposed a brand equity model which consists of the four mindset measures of brand loyalty, brand awareness, perceived quality, and brand associations, as well as a measure of other proprietary brand assets, such as trademarks, patents, and channel relationships. In an empirical study that compares various consumer-mindset measures of brand equity, Agarwal and Rao (1996) found that most of the common measures (with the exception of unaided recall) as conceptualized by Aaker (1991) and Keller (1993) have convergent validity and are hence appropriate measures of the brand equity construct.

Keller (2003) proposed a conceptual model of the sources and outcomes of brand equity which demonstrates the link between a firm's marketing actions, customer mindset measures of brand equity, and the brand's market performance. In the first stage of this Brand Value Chain, the firm invests in a comprehensive marketing program which leads to the development of a set of customer brand attitudes and perceptions in the second stage. In the third stage, these customer mindset measures affect the performance of the brand in the market (which can be measured by various product market outcome measures of brand equity) and leads to the fourth and final stage, where brand equity is manifested in the form of stock price, price to earnings ratio, and other measures of firm and shareholder value.

Keller (1993) classified brand equity measures into two basic approaches-indirect and direct. The indirect approach is to infer brand equity by measuring brand knowledge such as brand awareness, brand loyalty, perceived quality, and brand associations. The direct one is to measure brand equity as a whole more directly by assessing consumer responses to different elements of the firm's marketing mix program. Techniques of the direct approach include blind tests, conjoint or tradeoff analysis, and econometric models. In blind tests, consumers evaluate a product on the basis of a profile, examination, or actual consumption trial while the brand name of the product is not disclosed during the test (Jacoby, Olson, & Haddock, 1971). Conjoint analysis can be used to investigate the main effects of the brand name with exclusion of the effects of any other physical attributes (i.e., differences in preference or choice of the brand) and interaction effects between the brand name and other physical attributes (Cobb-Walgren *et al.*, 1995; Green & Srinivasan, 1990; Louviere & Johnson, 1988; Rangaswamy *et al.*, 1993). Some researchers have developed their own econometric or finance-oriented models to measure brand equity. Kamakura and Russell (1993) adopted a random-utility framework to measure the value of a brand through scanner data. Simon and Sullivan (1993) employed a regression analysis to measure brand equity by using market-based stock price data and other published accounting data. Farquhar, Han, and Ijiri (1991) introduced Momentum Accounting, which links changes in momentum income, profitability, and cash flow. Swait, Erdem, Louviere, and Dubelaar (1993) developed the Equalization Price concept, which represents a momentary equivalent to the utility difference attributed to brand name.

Park & Srinivasan (1994) suggested a survey-method for measuring brand equity and its extendibility. According to their measure, brand equity is "the difference between an individual consumer's overall brand preference and his or her multiattributed preference based on objectively measured attribute levels". In other words, a consumer is asked to evaluate the overall preference of the brand under the same price assumption to other brands and in terms of premium prices as well as the rating and importance of each of the selected attributes of the brand. Their measure is compositional; each attribute is first evaluated and then summed to make a composite score of the brand value where brand equity is excluded. Even though their measure is based on a consumer survey, it is the reverse flow of conjoint approach to measure brand equity. On the other hand, it was one of the first empirical attempts to measure brand equity from the consumer perspective.

2.2. 3.5 Definition of Brand Equity

Ambler (2003) noted that "brand equity is such a big concept that people have difficulty describing it" and went on to suggest that the multiplicity of voices in brand equity research results from researchers looking at different aspects of the same concept. Likewise, Schultz (2003) proposed looking at brand equity as a continuum. At the one end is the psychological value of a brand; while at the other end is the financial value of the brand, i.e. the amount the brand is worth to the owner. Such a distinction is implicit in one of the most commonly cited definitions of brand equity, that is "a set of assets and liabilities linked to a brand, its name and symbol, that adds to or subtracts from the value provided by its product or service to a firm and/or to that firm's customers" (Aaker,1991). Brand equity can therefore be analysed on two levels, depending on the beneficiary of value (consumer or firm).

Since the term "brand equity" emerged in the 1980s, there has been a burgeoning interest in the subject among marketing academicians and practitioners (Cobb-

Walgren *et al.*, 1995), who have given it many definitions: the added value endowed by the brand name (Farquhar *et al.*, 1991); incremental utility (Kamakura & Russell, 1993); the difference between overall brand preference and multi- attributed preference based on objectively measured attribute levels (Park & Srinivasan, 1994); and overall quality and choice intention (Agarwal & Rao, 1996). From a customer-based perspective, Keller (1993) defined brand equity as the differential effects that brand knowledge has on consumer response to the marketing of the brand (customer-based brand equity). Based on the value of brand equity, Aaker (1991) defined it as a set of assets (and liabilities) linked to a brand's name and symbol that add to (or subtract from) the value provided by a product or service to a firm and/or that firm's customers. Adopting an information economics view, Erdem & Swait (1998) have argued that customer-based brand equity is the value of the brand as a credible sign of a product position. More generally, brand equity has often been referred to as the added value to the firm, the trade, or the consumer with which the brand endows a product (Farquhar, 1989)—or, similarly, as the difference between the value of the branded product to the consumer and its value without that branding (McQueen, 1991).

One important consensus among definitions of brand equity is that brand equity is an incremental value of brand due to the brand name, even though the resultant operationalized measures have failed to reach a consensus (Srivastava & Shocker, 1991). A review of definitions of brand equity consistently confirms that brand equity is the value incrementality due to brand name: (a) A residual value in the form of favorable impressions, attitudinal dispositions, and behavioral predilections and this residual value (i.e., utility) is not explained by the measured attributes of the brand (Rangaswamy *et al.*, 1993); (b) Incremental utility associated with a brand name which is not captured by functional attributes (Kamakura & Russell, 1993); (c) The added value endowed by the brand name (Farquhar, Han, & Ijiri, 1991); (d) A set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm/or to that firm's customers (Aaker, 1991); (e) The differential effect that brand knowledge has on consumer response to the marketing of the brand (Keller, 1993); (f) From the consumer's perspective (emphasizing market management), brand equity is a utility not explained by measured attributes (via conjoint measurement or rating scales), loyalty (which provides a barrier to competitive entry and sustainable advantage for the firm), and a differentiated, clear image that goes beyond simple product preference (Shocker & Weitz, 1988).

Brand equity is the incremental utility and value added to a product by its brand name, such as Coke, Kodak, Levi's, and Nike (Farquhar, Han, & Ljiri, 1991; Kamakura & Russell, 1993; Park & Srinivasan, 1994; Rangaswamy *et al.*, 1993). It can create value for both the customer and the firm (Aaker, 1991). Consequently, it has received tremendous interest both in conceptual development and empirical research.

Feldwick (1996) simplified the variety of approaches, by providing a classification of the different meanings of brand equity as:

- the total value of a brand as a separable asset - when it is sold, or included on a balance sheet;
- a measure of the strength of consumers' attachment to a brand;
- a description of the associations and beliefs the consumer has about the brand.

When marketers use the term "brand equity" they tend to mean brand description or brand strength. Brand strength and brand description are sometimes referred to as "consumer brand equity" to distinguish them from the asset valuation meaning (Wood, 2000).

Winters (1991) related brand equity to added value by suggesting that brand equity involves the value added to a product by consumers' associations and perceptions of a particular brand name. Leuthesser (1988) offered a broad definition of brand equity as: the set of associations and behaviour on the part of a brand's customers, channel members and parent corporation that permits the brand to earn greater volume or greater margins than it could without the brand name.

For the purpose of this study, brand equity is defined as the difference of consumer response in terms of preference and behavioral intention between the focal brand and the unbranded product, given the same level of marketing stimuli and product characteristics. This definition focuses on consumer-based behavioral brand equity (e.g., Aaker, 1991; Keller, 1993; Park & Srinivasan, 1994) rather than firm-based financial or economic brand equity (e.g., Simon & Sullivan, 1993). Consumer response refers to consumer behavioral intention and behavior related to brand choice. Behavior itself and behavior-like (i.e., intention) measures are more related to actual sales than psychological measures such as attitudes.

2.2.3.6 Perspectives of Brand Equity

Brand equity can be viewed from the three different perspectives. One perspective is the so-called *Consumer Based Brand Equity* by Keller (2001). The second one is the *Firm's Perspective* and the third point of view is the so called *Trade Perspective* (Farquhar, 1989).

***Customer Based Brand Equity*:** According to Keller (2001) companies can develop strong brands only if the brand development process includes the following steps:

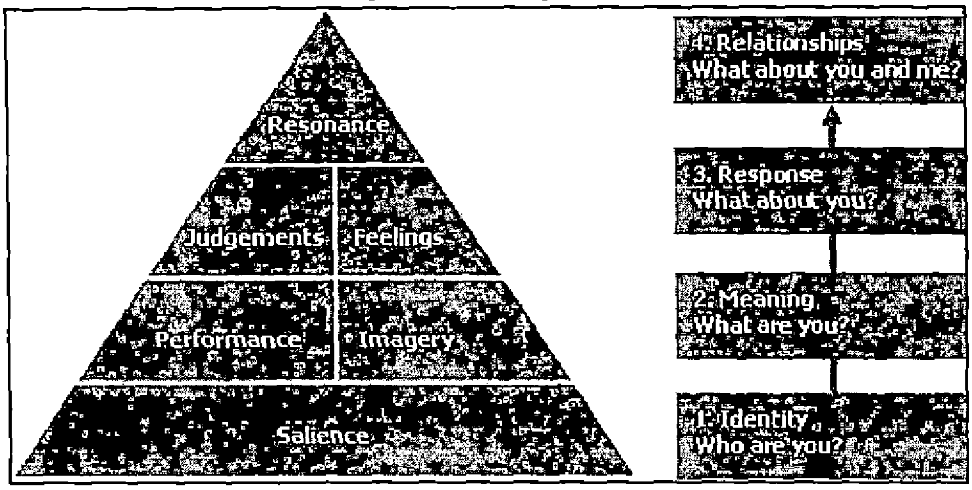
1. Establishment of proper *brand identity*,
2. Creation of the appropriate *brand meaning*,
3. Extraction of the right *brand responses*, and
4. Building of appropriate *brand relationships* with customers.

Keller (2001) introduced six building blocks which are part of the Customer Based Brand Equity pyramid (see Figure 2.4). Those building blocks are: salience, performance, imagery, judgment, feelings and resonance as explained below:

> Establishment of *brand identity* is based on the *brand salience* which refers to brand awareness. Consumer is aware of the brand existence if he/she is able to recall and to recognize the brand. The main criteria for *brand identity*, according to Keller, are depth and breadth of brand awareness.
>
> The next step is the *brand meaning* which is divided into brand's performance and brand imagery. *Brand performance* as one of the building blocks refers to the basic purpose of the product itself, functionality, or the ability to satisfy customers' needs. This characteristic of a product is its intrinsic facet. The other building element, *brand imagery*, is developed from the extrinsic property of a product itself and it is connected to the possibility that the product will satisfy customer's psychological and social needs. Brand meaning needs favourable, strong and unique associations.
>
> The third step, i.e. *brand responses* step is defined as the way customers respond to a brand. Responses are divided into brand feelings and brand judgments. *Brand judgment* is the combination of brand imagery and brand performance in the minds of the consumers. *Brand feelings* are customers' emotional reactions to the social currency brand evokes. Brand responses lead to the positive and accessible reactions of consumers.
>
> Lastly, *brand relationship* is defined as the relationship between the customer and brand, and it is related to personal identification of the customer with the brand. *Brand resonance* as a building block of brand relationship is defined as the depth of the psychological bond between the customer and the brand which results in loyalty. Criteria are the intense and active loyalty (Keller, 2001).

A strong brand satisfies all the above-mentioned criteria. The most powerful block is brand resonance. Therefore, the strongest brands will be those to which customers become so attached that they, in effect, become evangelistic and actively seek means to interact with the brand and eagerly share their experiences with others (Keller, 1993).

Fig 2.4: CBBE Pyramid



Source: Keller, 2001

Firm's Perspective (Company Based Brand Equity)*:* Company based brand equity can be defined as incremental cash flows that are added by the brand itself to the overall company's value. Added value of the brand is higher, the stronger the brand. This statement has the following implications. First, strong brands usually give the opportunity for successful brand extensions and for brand licensing. Second, very important implication is that strong brands are able to keep the profits at the usual level during the critical situations for the company as a whole. Since the brand, in some way, is able to transform a product into a "luxury good" regardless of the fact that generic product is not classified in this category, profits will remain the same, or the company will not have substantial decrease in profits during the period of crises at the macroeconomic level. The final implication of a strong brand can be examined through one of the components in Porter's Five Forces model, i.e. barrier to entry. Markets which are dominated by leaders with very strong brands are usually not being a target of attack by competitors, since companies which own weak brands cannot enter the market. From microeconomics point of view, we can say that strong brands are able to provide monopolistic position for a company in the market, or at least in the niche market, in the long run.

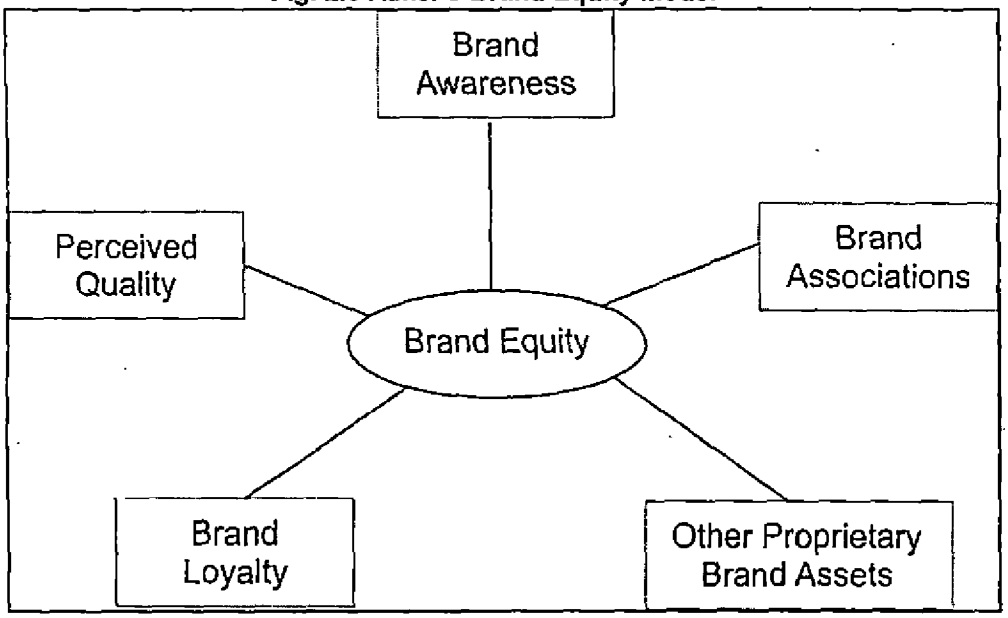
Trade's Perspective*:* Trade's perspective is becoming increasingly important since the new level of competition is evolving in the product markets. This refers to distributors. Traditionally, companies were distributing their products using the following channels: company → wholesaler → retailer →final customer. Today, internal relationships in this channel are becoming more complicated because traditional distributors endanger manufacturers' brands and represent fatal obstacle to their success. Negotiating power of distributors in case of weaker brands is higher in comparison to the negotiating power of producers. This influences the marketing communication strategies of the corresponding companies, since their focus is turning to the distributors instead of the customers. In addition, brand managers have to choose between fighting the distributor brands or joining them (i.e., produce private labels for the retailer) (Shoker *et al.*, 1994). In order to support adequate decision regarding the fighting vs. joining, brand managers have to obtain marketing research information (Russel & Kamakura, 1994).

2.2.3.7 Dimensions of Brand Equity

Brand equity as described by Aaker (1991) consists of the four main elements – perceived quality, brand loyalty, brand awareness and brand associations apart from other proprietary brand assets as shown in Fig 2.5.

These dimensions have been commonly used and accepted by many researchers (Keller, 1993; Motameni & Shahrokhi, 1998; Yoo & Donthu, 2001; Bendixen, Bukasa, & Abratt, 2003; Kim *et al.*, 2003). Brand awareness affects perceptions and taste. People like the familiar and are prepared to ascribe all sorts of good attitudes to items that are familiar to them (Aaker & Joachimsthaler, 2000).

Fig. 2.5 Aaker's Brand Equity Model



Source: Aake ,1991

Perceived quality influences brand associations and affects brand profitability. Brand association is anything that connects the consumer to the brand, including user imagery, product attributes, organizational associations, brand personality, and symbols. Brand loyalty is at the heart of brand's value. The concept is to strengthen the size and intensity of each loyalty segment. The following section discusses each dimension in detail.

2.2.3.7.1 Perceived Quality

Perceived quality can be defined as the customer's perception of the overall quality or superiority of a product or service relative to alternatives. Perceived quality cannot necessarily be objectively determined, because perceived quality itself is a summary construct. Perceived quality is valuable in several ways. In many contexts, the perceived quality of a brand provides a pivotal reason to buy. It influences the brands to be included and excluded from the consideration set and which brand to be selected. A principal positioning characteristic of a brand is its location within the dimension of perceived quality. A perceived quality advantage provides the firm an option of charging a premium price. The price premium can increase profits and/or provide resources for reinvestment in the brand. Perceived quality can also be meaningful to retailers, distributors and other channel members and thus aid in gaining distribution. Channel members are motivated to carry brands that are well regarded. In addition, the perceived quality can be exploited by introducing brand extensions, using the brand name to enter new product categories. A strong brand with respect to perceived quality will be able to extend further, and will find a higher success probability than a weak brand (Aaker, 1991).

Zeithaml (1988) defined perceived quality as the consumer's subjective judgment about a product's overall excellence or superiority". Personal product experiences, unique needs, and consumption situations may influence the consumer's subjective judgement of quality. High perceived quality means that, through the long-term experience related to the brand, consumers recognize the differentiation and superiority of the brand. He identified perceived quality as a component of brand value; therefore, high perceived quality would drive a consumer to choose the brand rather than other competing brands. Therefore, to the degree that brand quality is perceived by consumers, brand equity will increase.

Perceived quality is a result of consumers' subjective judgment on a product (Zeithaml, 1988; Dodds *et al.*, 1991). The reason why perceived quality is different to real quality is because

a) A previous bad image of a product will influence consumers' judgment on product quality in the future. Moreover, even the product quality has been changed, consumers will not trust that product because of their unpleasant experience in previous (Aaker, 1996a),
b) Manufacturers and consumers have different views on the judgment of the quality dimensions (Aaker, 1996a),

c) Consumers seldom hold enough information to evaluate a product objectively. Though consumers have enough information, they may be insufficient in time and motivation to do a further judgment, and in the end they can only select little important information and make an evaluation on quality (Aaker, 1996a).

In addition, perceived quality is a relative concept which possesses situational, comparative, and individual attributes. Perceived quality will be affected by factors such as previous experience, education level, and perceived risk and situational variables such as purchase purpose, purchase situation, time pressure, and social background from consumers (Holbrook & Corfman, 1985). In sum, perceived quality is a consumer subjective judgment on product quality, and he or she will evaluate product quality from their previous experiences and feelings.

Garvin (1984) proposed that perceived quality is defined on the basis of users' recognition while objective quality is defined on the basis of product or manufacturing orientation.

Objective Quality vs Perceived Quality; While quality is a multidimensional concept that cannot be easily defined or measured, a distinction can be made between objective quality and perceived quality. Objective quality refers to the actual technical excellence of the product that can be verified and measured (Monroe & Krishman, 1985). In contrast, perceived quality is the consumer's judgment about a product's overall excellence or superiority (Zeithaml, 1988). Perceived product quality is a global assessment ranging from "bad" to "good", characterized by a high abstraction level and refers to a specific consumption setting. The importance of perceived quality derives from its beneficial impact on purchase intentions, although contradictory research findings have been reported in the literature. Some scholars supported a positive direct effect of perceived quality on purchase intentions (Carman, 1990; Boulding, Staelin, & Zeithaml,1993; Parasuraman, Zeithaml, & Berry , 1996), others reported only an indirect effect through satisfaction (Cronin & Taylor, 1992; Sweeney, Soutar, & Johnson,1999) and yet others argued that both relationships exist (Tsiotsou, 2006). However, it is to be noted that the dual effect i.e. direct and indirect effect of perceived product quality on purchase intentions has been found for goods, while the single effects i.e. direct or indirect have been reported from studies focused on services. Although perceived quality is generally treated as a post-purchase construct (Holbrook & Corfman, 1985; Roest & Pieters, 1997), some scholars (Rust &

Oliver, 1994) support the notion that perceived quality is both a pre- and post-purchase construct, as they argue that a previous product experience is not needed to assess quality.

The differences between objective quality and perceived quality lie in that objective quality has a pre-design standard to a product, and perceived quality is influenced by internal and external product attributes which is an evaluation basis for consumers (Zeithaml, 1988). Kan (2002) points out that objective quality is that consumers will use their experience and knowledge to evaluate overall product benefit, function, durability, technology and reliability when consumers purchase a product. Perceived quality is a consumer judgment on the accumulative product benefits and a subjective feeling on product quality (Zeithaml, 1988; Dodds *et al.*, 1991). Aaker (1991) argued that perceived quality can show the salient differentiation of a product or a service and becomes a selective brand in consumers' mind.

Quality & Luxury Brands: It is expected that luxury brands offer superior product qualities and performance compared with non-luxury brands. Perfectionist consumers may perceive more value from a luxury brand (Aaker, 1991) because they may assume that it will have a greater brand quality and reassurance. The literature on luxury consumption (Quelch, 1987, Garfein, 1989) emphasises the importance of leadership in quality to ensure the perception of luxury. It seems rather difficult to develop a luxury brand image without developing a long-term commitment to quality. Accordingly, people influenced by the quality dimension of luxury may perceive that luxury brands have superior characteristics compared with nonluxury brands. These characteristics may include, but are not restricted to: technology, engineering, design, sophistication and craftsmanship. For instance, speed and acceleration for a luxury car or precision for a luxury watch are elements reflecting the perceptions of quality. In addition, 'high prices may even make certain products or services more desirable' (Groth & McDaniel, 1993) because consumers perceive higher prices as an indication of greater quality (Rao & Monroe, 1989)

The studies exploring issues related to luxury consumption often underline the specific function of quality. Excellent quality is a sine qua non, and it is important that the premium marketer maintains and develops leadership in quality (Quelch, 1987). Prestige brands are expected to show evidence of greater quality, and luxury or premium brands should display even greater levels of quality (Garfein, 1989). Thus the quality cue might also be used by consumers to evaluate the level of prestige of brands. In a research project on consumer decision-making styles, Hafstrom, Chae and Chung (1992) identified eight styles that represent how consumers choose products; among these styles 'perfectionism and high-quality consciousness' constitutes a segment of consumers who are highly concerned about product quality and inclined to buy luxury brands mainly due to their perceived excellence in quality and performance. In a large-scale study, Gentry, Putrevu, Shultz, & Commuri (2001) found that consumers do not necessarily buy luxury brands just for the conspicuousness of the brand name, but much more because of the superior quality reflected by that name. There are cases in which consumers refuse to buy counterfeit luxury brands, fearing that the counterfeits are of inferior quality. This – known as the quality assurance effect – is related to the utilitarian but not symbolic superiority of the brand that some consumers prioritise in their shopping consideration. As Miquel, Caplliurer and Aldas-Manzano (2002) further confirmed, consumers that assign great importance to the quality of a certain product category are inclined to buy prestige-brand products over store-brand products in that category, when they believe there exists an apparent difference in terms of quality superiority between these two kinds of brand. However, they will buy store-brand products if there is no perceived quality difference. This is to say that said consumers choose prestige brands mainly because of quality concerns, and other factors, such as 'buying to impress others', do not generate pronounced effects in their choice behavior.

Perceived Quality and Satisfaction: Often, the terms perceived quality and satisfaction have been used interchangeably, especially among practitioners. However, Rust and Oliver (1994) proposed that perceived quality and satisfaction differ in two ways: perceived quality is a more specific concept based on product and service features, whilst satisfaction can result from any dimension (e.g. loyalty, expectations). In addition, perceived quality can be controlled to a certain degree by a company whilst satisfaction can not. Thus, it is suggested that when perceived quality and satisfaction are regarded as overall assessments, perceived quality is understood as an antecedent of satisfaction and therefore precedes it (Llusar, Zornoza, & Tena, 2001). The research findings reported by Caruana (2002) and Tsiotsou (2006) verified the preceding role of perceived quality and suggest a direct effect of perceived quality on consumer satisfaction. Thus, it is expected that the higher the perceived quality of a product, the higher the consumer satisfaction. There is no agreement however, on whether there is an interaction effect between perceived quality and satisfaction. For some researchers no interaction effect exists between the two concepts (Llusar *et al.*, 2001) whereas others have reported an interaction effect between satisfaction and perceived quality on purchase intentions (Taylor & Baker, 1994).

Quality vs Value: Most of the empirical literature suggests that value and quality are clearly distinctive constructs (Bolton & Drew, 1991; Dodds & Monroe, 1985; Monroe & Krishnan, 1985). However, some authors have noted the potential for conceptual confusion between both terms. For instance, Zeithaml (1988) affirmed that quality and value are not well differentiated from each other and from similar constructs such as perceived worth and utility, The answer to the question of the role of quality in value has not been given (Oliver,1999). Several studies have tried to analyze the nature of the relationship between value and quality. Among their common characteristics, they have been viewed as evaluative judgments (Ostrom & Iacobucci, 1995; Zeithaml, 1988), subjective and personal (Rust & Oliver, 1994; Zeithaml, 1988), and situationally dependent (Rust & Oliver, 1994). Nevertheless, a number of studies have focused on analyzing the differences between them. In this sense, Zeithaml (1988) establishedthat value differs from quality in two ways. First, value is more individualistic and personal than quality and is therefore a higher level concept than quality. Second, value (unlike quality) involves a tradeoff of give and get components. Though many conceptualizations of value have specified quality as the only "get" component in the value equation, the consumer may implicitly include other factors, such as prestige and convenience. Similarly, Kirmani and Baumgartner (1999) noted the differences between them when they affirmed that value judgments are more context dependent than quality judgments, since consumers rely on internal standards to assess a brand's quality, whereas they seek information about competitive brands in order to assess a brand's value. These authors suggested that, under certain conditions, judgments of quality and value may be formed independently. Moreover, Monroe and Krishnan (1985) suggested that perceived quality is viewed purely as an evaluative measure, whereas perceived value is considered a trade-off between perceived quality and affordability, within a choice condition. For Band (1991), quality is the means and consumer value is the end. In theoretical terms, it has been suggested that perceived quality is an antecedent that has a positive effect on consumer value (Dodds *et al.*, 1991; Fornell, Johnson, Anderson, Cha, & Bryant, 1996; Monroe, 1990; Oliver, 1999; Parasuraman & Grewal, 2000). Empirical evidence of this has been provided by research (Andreassen & Lindestad, 1998; Bolton & Drew, 1991; Cronin *et al.*, 2000; Chang and Wildt, 1994; DeSarbo, Jedidi, & Sinha, 2001; Dodds, 1991; Grewal, Krishnan, Baker, & Borin (1998); Grewal, Monroe, & Krishnan (1998); Sweeney *et al.*, 1999). In contrast, some authors have continued to note that quality is a subcomponent of overall value (e.g., Holbrook, 1999; Sweeney & Soutar, 2001).

Role of Cues in Assessing Quality: Previous researchers found that, in similar circumstances, consumers are more likely to rely on heuristics such as cues or signals to assess products when faced with uncertainty of product performance or product quality (Dawar & Parker, 1994; Richardson *et al.*, 1994). Olson (1972) classified product cues as intrinsic and extrinsic to the product. Extrinsic cues are product-related attributes that are not part of the physical product, which include price, brand name, and packaging. On the other hand, intrinsic cues represent indigenous product-related attributes that cannot be manipulated without also changing the physical product itself, such as ingredients, taste, freshness, nutrition and the like. Researchers have attempted to identify the relative importance of extrinsic and intrinsic cues to consumers. Olson (1972) proposed that intrinsic cues are more important than extrinsic cues when consumers evaluate quality. Steenkamp (1990) mentioned that Olson's hypothesis had been supported for a variety of products, but mostly utilitarian ones such as nylon hoses, ball-point pens, carpet, and envelopes. On the other hand, Richardson *et al.* (1994) found that extrinsic cues explain more variance in perceived product quality than do intrinsic cues for packaged grocery products. In addition, Hoch, Lehmann, and O'Shaughnessy (1986) proposed that for products for which image is important, extrinsic cues such as brand name and packaging may be more important than intrinsic cues.

2.2.3.7.2 Brand Loyalty

The ultimate marketing goals and objectives for any business are to create, maintain and improve customer loyalty toward their brands, products or services (Dick & Basu, 1994). It has been suggested that those companies who are focusing on identifying customer loyalty would generate profitability, long term/high customer etention, reduce marketing costs and increase competitive advantage (Reichheld & Sasser, 1990). Therefore, it is very important for companies to understand the development process of customer loyalty in today's competitive environment. Creating customer loyalty is neither strategic nor tactic, but rather the ultimate objective and meaning of brand equity, adding that "brand loyalty is brand equity" (Travis, 2000). Brand loyalty adds considerable value to a brand and/or its firm because it provides a set of habitual buyers for a long period of time. Brand equity increases as brand loyalty increases. Brand loyalty is qualitatively different from the other major dimensions of brand equity in that it is linked to prior purchases and experience (Aaker, 1991). Some studies suggest that the cost to attract a new customer is more than five times of maintaining a loyalty customer (Reichheld & Sasser, 1990). That is, the higher the brand loyalty, the less cost businesses to pay. Washburn and Plank (2002) indicated that perceived quality and brand loyalty have a highly connection, they will positively influence purchase intention. Thus, perceived quality and brand loyalty are positively correlated, and brand loyalty will increase if perceived quality increases.

Aaker (1996a) assumed that a loyal consumer base represents a barrier to entry, a basis for a price premium, time to respond to competitors, and a bulwark against deleterious price completion, and brand loyalty is a core dimension of brand equity. In addition, brand loyalty is the final destination of brand management, and if a company wants to test the weakness or strength of its customers' loyalty, it can easily check whether consumers still favor its product in contrast to competitors. Brand loyalty is consumer attitudes on a brand preference from previous use and shopping experience of a product (Deighton, Henderson, & Neslin, 1994), and it can be measured from repurchase rate on a same brand. Brand loyalty means brand preferences that consumers will not consider other brands when they buy a product. Brand loyalty represents a repurchase commitment in the future purchase that promise consumers will not change their brand loyalty in different situations and still buy their favorable brands (Oliver, 1999). Brand loyalty has been a major focus of strategic marketing planning (Kotler, 2002) and offers an important basis for developing a sustainable competitive advantage - an advantage that can be realized through marketing efforts (Dick & Basu, 1994). And because its importance has been emphasized recent times, many companies have been trying to enhance their customers' loyalty through retention programs and relationship marketing strategies (Hallowell, 1996).

Definitions of Brand Loyalty: The concept of brand loyalty has had a long history. The very first mention of the idea was attributed to Copeland (1923) and, since then, over 200 definitions have appeared in the literature (Jacoby & Chestnut, 1978). The extent of work done in the area of brand loyalty provides a clue as to how important this concept was in marketing history and holds the same importance even today. The generation of "loyal" customers has been a primary objective of the marketers for decades and the level of brand loyalty has also been used as a measure of the success of marketing strategy and as a partial measure of brand equity. In fact, Aaker (1991) stated that "the brand loyalty of the customer base is often the core of the brand's equity."

Aaker (1991) defined brand loyalty as "a measure of the attachment that a customer has to a brand". It refers to consumers' continuance to purchase a brand even in the face of competitors with superior features, price, and convenience, and substantial value existing in the brand and perhaps in its symbol and slogans. Brand loyalty, according to Schoell abd Guiltinan (1990), is "the degree to which a buying unit, such as a household, concentrates its purchases over time on a particular brand within a product category." Oliver (1997) defined brand loyalty as "a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior". Loyal consumers show more favorable responses to a brand than nonloyal or switching consumers do (Grover & Srinivasan, 1992).

Approaches to Brand Loyalty: Brand loyalty can be operationalized either based on behavioral, attitudinal or a composite approach (Jacoby & Chestnut, 1978). Behavioral loyalty has been considered as purchase sequence (e.g. McConnell, 1968), proportion of purchases devoted to a particular brand (e.g., Cunningham, 1956), while attitudinal brand loyalty refers to "stated preferences, commitment or purchase intentions of the customers" (Mellens, Dekimpe, & Steenkamp, 1996). In addition, a few academics have suggested that using the composite approach (attitudinal and behavioral approach) provides a more powerful definition of brand loyalty (Day, 1969; Jacoby & Chestnut, 1978; Dick & Basu, 1994). However, all of the above aforementioned approaches have been argued by several scholars and have several limitations. Jacoby and Chestnut (1978) argued that the behavioral measures simply represent the static outcome of a dynamic decision process (i.e. solely on overt behavior). Therefore, this approach makes no attempt to understand the factor underlying brand loyalty purchasing and is insufficient to clarify the causative factors that determine how and why brand loyalty develops or is modified (Jacoby & Chestnut, 1978). The attitudinal measures are concerned with consumer feelings toward the brand and stated intention such as likelihood to recommend and likelihood to repurchase the product (Jacoby & Chestnut, 1978; Mellens *et al.*, 1996). However, the entire brand loyalty phenomenon cannot be assessed if the attitudinal loyalty is not extended over the action behavior (Dick & Basu, 1994; Oliver, 1999). In relation to loyalty, the linkages between attitude and behavior approach were found to be weak (East, Gendall, Hammond, & Lomax , 2005). For instance, Hennig-Thurau and Klee (1997) indicated that those studies that used actual behaviour outcomes, showed weak associations or negative relationships with satisfaction.

Types of Brand Loyalty: Brand loyalty has also been conceptualized as an interaction of attitude and behavior. Dick and Basu (1994) argued that loyalty is determined by the strength of the relationship between relative attitude and repeat patronage. On the basis of attitude-behavior relationship, they proposed four types of brand loyalty (fig. 2.6). The "spurious loyalty" and "no loyalty" categories occur under low relative attitude that might be indicative of a recent introduction and/or an inability to communicate distinct advantages, or may be due to the dynamics of a specific market, where most competing brands are seen as similar, and it may be difficult to create a high relative attitude.

Fig. 2.6: Attitude / behavior Based Loyalty Types

Repeat Patronage →

Relative Attitude ↓	*High*	*Low*
High	Loyalty	Latent Loyalty
Low	Spurios Loyalty	No Loyalty

Source: Dick and Basu, 1994

The definition of retail patronage is germane to our exploration of the role of experience and apparel involvement on shopping preferences and intentions. Chetthamrongchai and Davies (2000) defined retail patronage as a dichotomous variable covering a 2-week period when respondents either visited their main store or spent some money in it or did shop during that period. Baker, Parasuraman, Grewal, & Voss, (2002) defined patronage intention as a willingness to recommend, a willingness to buy and shopping methods. Repeat patronage or repatronage refers to a predictor of loyalty outcomes (East *et al.*, 2005). Mathwick *et al.* (2001) used two dimensions to measure retail preference: (1) the retail outlet as best place shop; and (2) the retail outlet as the first place for shopping. In their study, the construct future patronage intent comprised two dimensions: (1) intent to shop from the retail outlet in the future; and (2) the retail outlet as the first places to look for certain types of merchandise.

Brand Loyalty & Consumer Classification A successful brand strategy must be based on creating brand loyalty. For achieving this goal, consumers must be classified on a loyalty basis and then the marketing mix must be shaped according to this classification. A first approach of classifying consumers considering their degree of loyalty is that of George H. Brown (Kotler, 2002), according to whom buyers can be divided into four groups:

- *hard-core loyals* (always buy the same brand),
- *split loyals (*loyal to two or three brands),
- *shifting loyals* (loyal to one brand for a period of time, but easily shifting from one brand to another, due to certain advantages offered by the new brand), and
- *switchers (*show no loyalty to any brand, switching the brand with almost any buying situation).

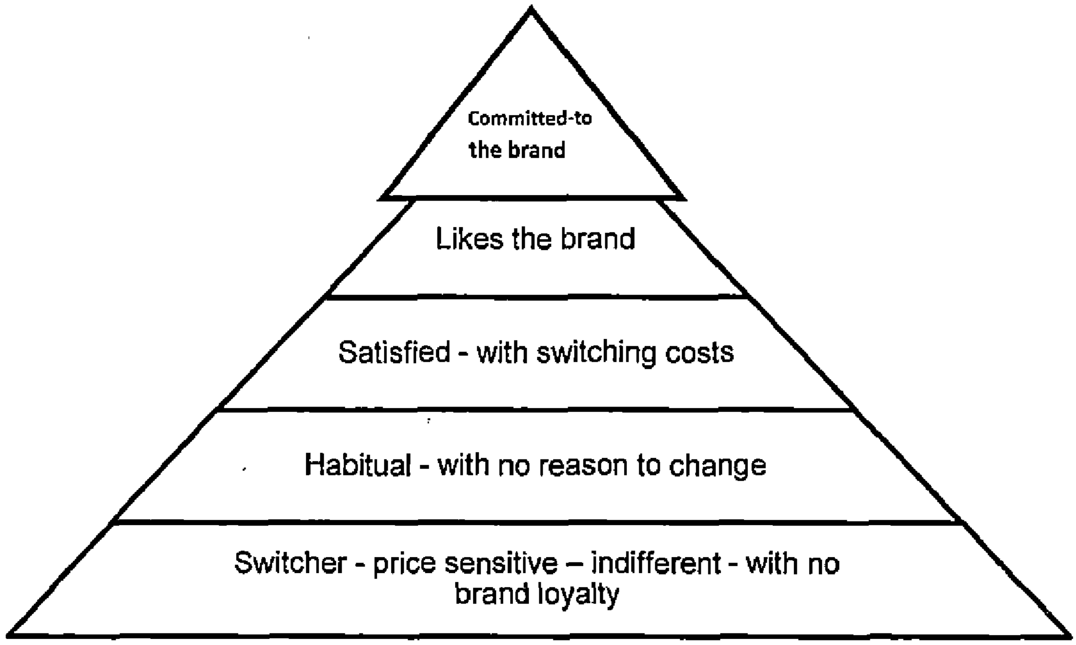
Each market consists of a different number of these four types of buyers. For example, a brand-loyal market has a high percentage of hard-core loyals. In such markets, entering or increasing market share are very difficult tasks. Still, brand loyalty must be carefully interpreted as it may actually reflect habit, indifference, a low price, a high switching cost, or the non-availability of other brands.

A second approach is that of Aaker (1991) who sees five levels of brand loyalty and groups customers accordingly into a loyalty pyramid (Fig.2.7):

- *The first level* represents non loyal buyers who are completely indifferent to brands, each brand being perceived to be adequate if the price is accepted.
- *The second level* includes satisfied or at least not dissatisfied buyers with no dimension of dissatisfaction sufficient enough to stimulate a change, especially if that change involves effort. These customers can be vulnerable to competitors that can create a perceived benefit in the case of switching.
- *The third level* consists of satisfied customers with switching costs (loss of time, money, or acquired loyalty advantages, performance risks associated with switching etc.). In this case, competitors must create an inducement or incentive to switch by offering a benefit large enough to compensate the switching costs.
- *The fourth level* contains customers who truly like the brand and have an emotional attachment to the brand, based upon associations such as a symbol, a set of use experiences, or a high perceived quality. The emotional attachment's reason is not clearly identifiable as sometimes just the fact that there has been a long term relationship can create a powerful affect.

➢ *The fifth level* represents committed customers, proud to have discovered and used the brand, and to whom the brand is very important both functionally and emotionally as an expression of their personality. The value of this category of customers stays in the impact they have upon others through their recommendations.

Fig.2.7: The Loyalty Pyramid



Source: Aaker, 1991

A third approach is that of Assael (1998). Considering the level of involvement and that of perceived differences between brands, he identifies four types of consumers (Fig.2.8):

a) *Complex loyals* firstly do research, then develop beliefs and attitudes about the brand, and finally make a thoughtful choice. Marketers should educate these consumers about the brand's attributes, differentiate and describe the brand's features, and motivate sales people to influence the brand choice.
b) *Dissonance loyals* shop around and buy fairly quickly, as they may consider most brands in a given price range to be the same, even though expensive and selfexpressive. After buying, they experience dissonance noticing certain disquieting features or hearing favorable things about other brands, but seek information that supports their choice. In the case of these consumers, marketers should supply evaluations that help them feel good about their brand choices.
c) *Habitual loyals* make decisions based on brand familiarity. They keep buying the same brand out of habit as they are passive recipients of information conveyed by advertising. In the case of these consumers, marketers should try to dominate shelf spaces, keep shelves stocked, and run frequent reminder ads.
d) *Variety-seekers* switch brands for the sake of variety rather than dissatisfaction. These consumers have some beliefs about brands, choose brands with little evaluation, and mostly evaluate them during consumption. In the case of these buyers, marketers could offer lower prices, coupons, free samples etc., but should constantly try to reconfigure the brand's features so as to offer something new etc.

Fig.2.8: Involvement / Perceived Differences Based Loyalty Types

			Involvement	
			Low	High
Perceived Difference	Low	Many and/or Significant	Complex loyals	Variety seekers
	High	Few and/or not Significant	Dissonance loyals	Habitual loyals

Source: Henry Assael, 1998

Factors Determining Customer Loyalty: Much research has been conducted in an attempt to understand the important factors that determine customer loyalty. One such factor is customer satisfaction. Few scholars however argued that the relationship between satisfaction and customer retention is slightly weak (e.g., East *et al.*, 2005; Hennig-Thurau & Klee, 1997). Reichheld (1993) argued that satisfied customers are not necessarily loyal. Those customers said to be satisfied or very satisfied in their survey, showed that between 60% to 80% will defect from most businesses. However, even though the results of customer satisfaction surveys are an important indicator of the health of the business, relying solely on them can be fatal. The criticisms of relying solely on consumer satisfaction surveys (Reichheld, 1993) have deliberately called for a paradigm shift from the emphasis on satisfaction to the pursuit of loyalty as a strategic business goal (Oliver, 1999). Oliver (1999) noted the shift "appeared to be a worthwhile change in strategy for most firms because business understood the profit of having a loyal customer base". Therefore, it was suggested that those who are measuring customer satisfaction should not stop there (Reichheld, 1993). The shift to measure loyalty is based on a desire to better understand customer retention, a component of loyalty which has a direct link to a company's profit (Reichheld & Schefter, 2000).

The Era of Brand Loyalty Decline: Following the recent development in loyalty literature, it has been noted that companies are concerned that today's consumers tend to be less loyal than in times past (Bennett & Rundle-Thiele, 2005; Kapferer, 2005). The glory of brand loyalty seems to decline slightly particularly in reference to some of the major national brands. In fact, there is a growing acceptance of private label brands in today's market (Dekimpe *et al.*, 1997). Furthermore, the present environment of increased competition and rapid market entry of new products and services into the market place leads consumers to experience product knowledge in terms of a wider choice of better alternatives and opportunities.

Table 2.4 The Era of Brand Loyalty

Era	Characteristics	Implications for Brand Loyalty
Decline in loyalty (1971-present)	➢ Multi-brand loyalty dominant ➢ Intense competition between an ➢ increasing array of brands and ➢ alternatives ➢ Very lows levels of differentiation ➢ Generic brands increasing market share ➢ Majority of new products offer ➢ incremental changes and minor product ➢ modifications ➢ Beginning of brands communities ➢ (Harley-Davidson, Apple computers) ➢ Lower risk in brand switching ➢ Brands, in some categories, are bought for the purpose of conveying self identity, rather than just to guarantee consistency of quality ➢ Consumers demanding experiences not just a product ➢ •Increased expectations from consumers	➢ Brand loyalty levels in fast moving consumer goods has declined ➢ The incidence of inertia increases ➢ As consumers become more demanding, dissatisfaction increases ➢ Brands that are functional and low involvement may have reduced loyalty ➢ Brands that convey image and self-identity may have higher loyalty

Source: Bennett & Rundle-Thiele, 2005

Therefore, it is crucial for companies and manufacturers to focus on differentiating their product from that of the competitors, in order to create inclination and preference for their products and services (Bennett & Rundle-Thiele, 2005). This problem is further aggravated by the increasing number of superior alternatives in the market. Many competing products have a similar standard in terms of product quality, price, performance, etc. In addition, Bennett and Rundle-Thiele (2005) came up with two reasons why the decline of brand loyalty occurs. The first is due to the rising quality of products that have risen to a standard where there is no longer a clear difference in the quality of competing brands within the same category. Thus, consumers risk in switching brands is considerably lower today as the quality of substitute brands is no longer a concern.

Another reason is related to the positioning of the brands. Many brands still position themselves on the basis of quality and risk reduction, which does not greatly resonate with the modern consumer. Brands have different and wider meanings for modern consumers compared with consumers of past eras. Brands are no longer judge according to quality and risk factors alone. Table 2.4 summarizes some of the important characteristics and the implications for brand loyalty in the present era (i.e. declining loyalty era).

2.2.3.7.3 Brand Awareness

Rossiter and Percy (1987) described brand awareness as being essential for the communications process to occur as it precedes all other steps in the process. Without brand awareness occurring, no other communication effects can occur. For a consumer to buy a brand they must first be made aware of it. Brand attitude cannot be formed, and intention to buy cannot occur unless brand awareness has occurred (Rossiter & Percy, 1987). In memory theory, brand awareness is positioned as a vital first step in building the "bundle" of associations which are attached to the brand in memory (Stokes, 1985). Macdonald and Sharp (2000) mentioned that even though consumers familiarize and are willing to purchase a product, brand awareness is still an important factor to influence purchase decision. When consumers want to buy a product, and a brand name can come to their minds at once, it reflects that product has higher brand awareness. Consumers' purchase decision can be influenced if a product has higher brand awareness (Dodds *et al.*, 1991; Grewal, Monroe & Krishnan, 1998). This explains why a product with higher brand awareness will have higher market share and better quality evaluation. Grewal, Krishnan, Baker and Borin (1998) concluded that brand awareness and perceived quality have a positive and significant relationship in a bicycle brand study.

Brand awareness refers to the strength of a brand's presence in consumers' minds & is an important component of brand equity (Aaker, 1991; Keller, 1993). Brand awareness means the ability of a consumer can recognize and recall a brand in different situations (Aaker, 1996a). Brand awareness consists of brand recall and brand recognition. Brand recall means when consumers see a product category, they can recall a brand name exactly, and brand recognition means consumers has ability to identify a brand when there is a brand cue. That is, consumers can tell a brand correctly if they ever saw or heard it. Aaker (1991) mentioned several levels of brand awareness, ranging from mere recognition of the brand to dominance, which refers to the condition where the brand involved is the only brand recalled by a consumer.

Rossiter and Percy (1987) defined brand awareness as the consumers' ability to identify or recognise the brand, whereas Keller (1993) conceptualised brand awareness as consisting of both brand recognition and brand recall. According to Keller (1993), brand recall refers to consumers' ability to retrieve the brand from memory, for example, when the product category or the needs fulfilled by the category are mentioned. Keller (1993) argued that "brand recognition may be more important to the extent that product decisions are made in the store". Hoeffler & Keller (2002) indicated that brand awareness can be distinguished from depth and width. Depth means how to make consumers to recall or identify brand easily, and width expresses infers when consumers purchase a product, a brand name will come to their minds at once. If a product owns brand depth and brand width at the same time, consumers will think of a specific brand when they want to buy a product. That is, the product has higher brand awareness.

Brand Awareness & Dream Value: Dubois and Paternault (1995) established a relationship between the dream value (desire to own the brand), and brand awareness as well as purchasing behaviour. Their studies conducted in North America showed that brand awareness has a positive impact on the dream value, but if consumers buy the brand the dream value for that specific brand decreases. Wong & Zaichowsky (1999) replicated the study in Hong Kong, and found that the greater the brand image, and the brand awareness amongst users, together with the perceived quality of luxury brands, the greater the brand preference and purchase rate. This relationship led to increased loyalty and sales. The authors also found that consumers hardly ever buy luxury brands they are not familiar with. Furthermore, Hong Kong consumers' dream value did not decrease after having purchased a specific brand, which appeared to be the outcome in North America (Dubois & Paternault, 1995).

Brand Awareness and Purchase Intention: Brand name is the most important element in brand awareness. As a consequence, brand awareness will affect purchase decision through brand association, and when a product owns a positive brand image, it will help in marketing activities (Keller , 1993). Brand awareness plays an important role on purchase intention because consumers tend to buy a familiar and well known product (Keller, 1993; Macdonald & Sharp, 2000). Brand awareness can help consumers to recognize a brand from a product category and make purchase decision. Brand awareness has a great influence on selections and can be a prior consideration base in a product category (Hoyer & Brown, 1990). Brand awareness also acts as a critical factor in the consumer purchase intention, and certain brands will accumulate in consumers' mind to influence consumer purchase decision. A product with a high level of brand awareness will receive higher consumer preferences because it has higher market share and quality evaluation (Dodds *et al.*, 1991).

Consumer purchase intention is considered as a subjective inclination toward a product and can be an important index to predict consumer behavior. Zeithaml (1988) used 'possible to buy', 'intended to buy' and 'considered to buy' as measurement items to measure purchase intention. Likewise, if a product has higher brand awareness it will have a higher market share and a better quality evaluation (Dodds *et al.*, 1991). A well known brand will have thus a higher purchase intention than a less well known brand. In the subsequent sub sections, we discuss the role of brand awareness in consumer decision making.

Brand Awareness and the Consideration Set: Brand awareness has been hypothesised to play a crucial role in determining the consideration set: the small set of brands which a consumer gives serious attention when making a purchase (Howard & Sheth, 1969). The composition of this small set of brands which are considered during decision-making is important. A brand that is not considered cannot be chosen (Baker, Hutchinson, Moore, & Nedungadi, 1986), and further, the probability of the brand being chosen is a function of the number of other brands in the consideration set. A brand that has some level of brand awareness is far more likely to be considered, and therefore chosen, than brands which the consumer is unaware of. Additionally, the strength of awareness of the brands within the consideration set can also be significant i.e. the higher the position of the brand in the consumer's mind measured by unaided recall, the higher the purchase intention and the higher the relative purchase of the brand. In a study, increases in brand awareness were shown to increase the probability of choice even without any accompanying change in attitude or perceptions (Nedungadi, 1990).

Brand Awareness as a Heuristic: Brand awareness has been found to affect decisions about brands within the consideration set (Hoyer & Brown, 1990; Keller, 1993). Consumers may employ a heuristic (decision rule) to buy only familiar, well-established brands (Keller, 1993). Consumers do not always spend a great deal of time making purchase decisions. In many cases consumers try to minimise the costs of decision making in terms of time spent, and cognitive effort, by employing simple rules of thumb, such as 'buy the brand I've heard of'. This is particularly likely to occur in low involvement situations where a minimum level of brand awareness may be sufficient for choice (Hoyer & Brown, 1990). Further brand awareness may affect choice within the consideration set by influencing perceived quality. In a consumer choice study by Hoyer and Brown (1990) over 70% of consumers selected a known brand of peanut butter from among a choice of three, even though another brand was 'objectively' of better quality, and even though they had neither bought or used the brand before. This result is even more surprising considering the subjects were given the opportunity to taste all of the brands. Just being a known brand dramatically affected their evaluation of the brand. Stokes (1985) found that for a low involvement product (rice) familiarity had a greater magnitude of effect on the quality perception of a brand than either price or packaging. And further, that familiarity had a significant effect on purchase intention whereas price and package design did not.

Aaker (1991) argued strongly the case for brand building and maintaining brand equity as he cited brand name awareness as one of four major brand assets which add value to the product or service and/or its customers. Investments in brand equity and in particular brand awareness can lead to sustainable competitive advantages and thus to long term value. Brand awareness can add value by placing the brand in the consumer's mind, & acting as a barrier to entry to new unestablished brands (Stokes, 1985) ; reassuring the customer of the organisation's commitment and product quality, and providing leverage in the distribution channels (Aaker, 1992).

2.2.3.7.4 Brand Associations

Brand association is anything "linked" in memory to a brand (Aaker, 1991). A set of associations, usually organized in some meaningful way, forms a brand image. Brand associations create value for the firm and its customers and lead to brand equity by helping to differentiate the brand, create positive attitudes or feelings in customers' minds, and provide a reason to buy it. The associations have a level of strength (Aaker & Keller, 1990; Keller, 1993). A link to a brand will be stronger when it is based on many experiences or exposures to communications, rather than few (Aaker, 1991). Keller (2002) defined brand associations as informational nodes linked to the brand node in memory that contains the meaning of the brand for consumers. These associations include perceptions of brand quality and attitudes towards the brand. Keller and Aaker both appear to hypothesize that consumer perceptions of brand are multi-dimensional yet many of the dimensions they identify appear to be very similar. The image that a good or a service has in the mind of the consumer—how it is positioned probably more important to its ultimate success than are its actual characteristics. Marketers try to position their brands so that they are perceived by the consumer to fit a distinctive niche in the marketplace - a niche occupied by no other product (Schiffman & Kanuk, 2007).

Numerous studies in the area of marketing have identified the presence of a many cues which affect consumers in their decision making process. Consumers not only use intrinsic cues such as physical attributes to evaluate products and services but also employ extrinsic cues in the form of brand name, distribution (online/offline) and price. Research has shown that brand name, when used as an information cue significantly effects the evaluation and choice decisions of the consumer (Dodds, Monroe, & Grewal, 1991; Laroche, Kim, & Zhou, 1996; Brucks, Zeithaml, & Naylor, 2000; Olson, 1977). Brand name has been viewed to influence quality judgment, price evaluation, value interpretation, and purchase probability. Brand name however, is not the only cue used by the consumer to evaluate products and services. The cues of distribution (online/offline) and price can also impact consumer evaluation and choice decisions (Stader & Shaw, 1999; White, 1997; Donthu, 1999).

Brand Associations & Luxury: Some of the most representative status symbols in fashion today are products of luxury brands such as Chanel, Hermes, Bulgari, Louis Vuitton, Gucci, and Christian Dior. These labels are renowned for their distinguished design, fine quality, and the extremely high price. At the same time, they are also endowed with symbolic function which gives the perception of higher social class and social status to the consumer. Phau and Chan (2003) noted that the display of high-end fashion labels represents status and sophistication. Baugh and Davis (1989) stated that luxury goods are often associated with the perceptions of status, high image, and prestige because of their exclusivity and high price. Luxury brands are purchased for their uniqueness, scarcity, quality, hedonic and self-expression attributes (Park *et al.*, 1991; Vigneron & Johnson, 2004). Some products are perceived to communicate a certain image, social role or status (Sproles & Burns, 1994). For the purpose of achieving higher perceived social class and social status, many consumers are motivated to purchase and display expensive clothes and other accessories to show that they have the ability to afford luxury items. Thus, certain clothing and accessories that we wear in public may become status symbols (Solomon & Rabolt, 2004). Hamilton and Hamilton (1989) stated that dress can be a powerfully symbolic way to express subtle values, relationships, and meaning in human culture. Dubois and Duquesne's (1993) study revealed that consumers buy such goods for what they symbolize.

Importance of Brand Associations: A distinguishing characteristic of modern marketing has been its focus upon the creation of differentiated brand associations to accentuate the bases of differentiation. The idea has been to move beyond commodities to branded products—to reduce the primacy of price upon the purchase decision. Consumers associate the value of the product with the brand. The brand can convey either a positive or a negative message about the product to the consumer. The underlying value of a brand is often based upon specific association of a "use context" such as heart attack prevention can provide a reason-to-buy which can attract customers. Such an association represents the product's meaning to customers. Brand associations represent bases for purchase decision and for brand loyalty. There are a host of possible associations that a firm can build in a brand. Not all associations need to be built but rather those that directly or indirectly affect consumers' buying behaviour. Product attributes (customer benefits) are an important class of associations, but there are others that can be important in some contexts (Aaker, 1991).

Types of Brand Associations: There exist different types of brand association such as association with product attributes, customer benefits, the uses or applications, association with particular clients, different celebrities, life styles, categories of product or countries (Aaker, 1991) as discussed below.

- **Customer Benefit:** Customer benefit refers to the need that is satisfied by a product. For example, cavity control by a toothpaste is a customer benefit. Customer benefit may be rational, psychological (emotional) benefit, or self- expressive benefit. A rational benefit is closely linked to a product's attribute and would be part of a "rational" decision process. A psychological benefit relates to what feelings are engendered when buying and / or using the brand. An example of a rational benefit for a computer to a consumer would be its ability not to loose work whereas a psychological benefit would be the feeling of being professional. For a car, the emotional benefit would be the feeling of safety when driving it as a driver of a Volvo car would testify. The self-expressive benefit relates to the ability of a brand to help a consumer to communicate his or her self-image. Since consumers have multiple roles, the consumer has an associated self-concept and a need to express that self-concept. The purchase and use of brands is one way to fulfill the need for self-expression.

- **Product Attributes:** These refer to a product's characteristics. Attributes are associated with a product's rational benefit. For example, a Volvo car's attribute is durability. Similarly, a shampoo's attribute would be its safety to use every day. A marketer requires to identify an attribute that is important to a major segment and not already claimed by a competitor, e.g. an attribute that offers something extra (like features or services that offer something better). The identification of an unmet customer problem can sometimes lead to an attribute previously ignore by competitors. Indeed, unmet needs are strategically important because they can represent opportunities for firms that want to make major moves in the market.

- **Use / application:** A marketer can associate a brand with a particular use or application. For example, a beer can be associated with good friends in a warm social setting. Similarly there can be different relevant use contexts for coffee.

- **User / Customer:** Another way of positioning a brand is to associate it with a type ofuser or customer. This involves identifying the brand with its target segment. For example, a brand can be associated with those who are interested in weight control as would be the case of a new drug.

- **Celebrity /Person:** This is the individual who endorses a brand. Linking a celebrity with a brand can transfer associations such as reliability, strength, performance, and so on. The extent to which the association can be linked to the celebrity depends on how credible the person is perceived by the audience. Specifically, a source is more persuasive when the audience perceives him or her as highly credible than when perceived as being low in credibility. In other words, the person need not be credible but it is how the consumers perceive him.

- **Lifestyle / Personality:** 'The brand can be viewed as a person. Like a person, a brand can be perceived as being competent, trustworthy, active, or youthful (Aaker, 1997). A brand personality may help communicate a product's attribute and thus contribute to a functional benefit. Similarly, it can help create a self-expressive benefit that becomes a vehicle for the customer to express his or her own personality.

- **Competitors:** A firm positions its brand using the organization's attributes such as innovation, a drive for quality, and a concern for the environment. A firm can position its brand with respect to a competitor. Sometimes it is not important how good customers think a firm is, but how they believe it is better than a given competitor. While this brand association can be accomplished by comparative advertising, it is not usually allowed in some countries (Cateora, 1996).

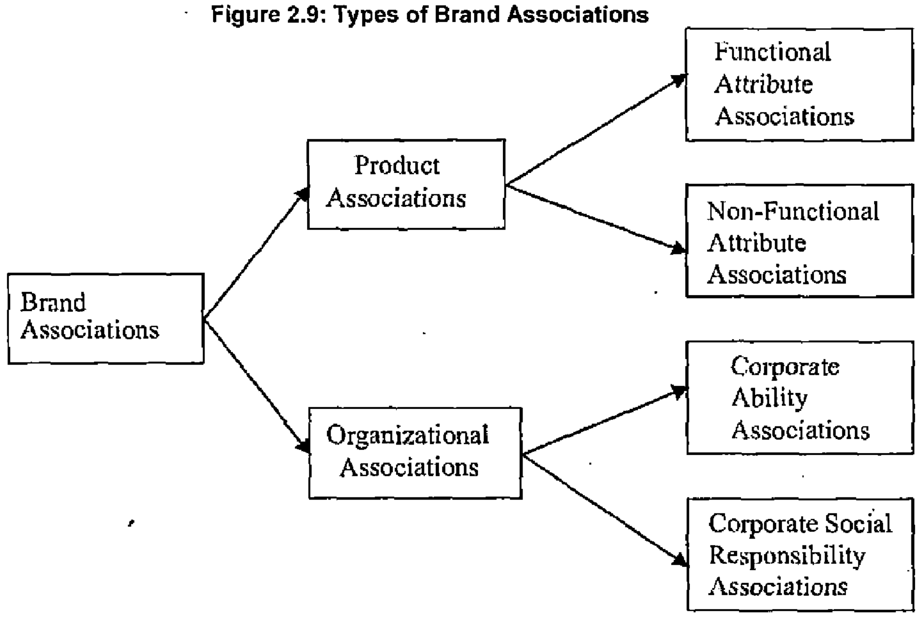
- **Country of Origin:** One more strategic option that a marketer has is to associate a brand with a country. The country of origin has an effect on the market's perception of a product - either a positive or a negative perception. Cateora (1996) asserts that a company competing in global markets may manufacture products world-wide and when the customer becomes aware of the country of origin, there is the possibility that the place of manufacture will affect product/brand image. The influence may be to add credibility or to lower it.

Chen (2001) (Figure 2.9) identified the types of brand associations and examines the relationship between the characteristics of brand associations and brand equity. He used the research of Aaker (1991) to develop his model concluding that the underlying value of a brand name is often a set of 11 associations. Chen suggested classifying brand association into product and organizational associations and further sub-associations as outlined in his brand association model.

A problem can arise when researchers neglect the directionality of brand associations. Brand management involves two activities, which are complementary in deciding about the limits of a brand's stretch: brand building and brand leveraging. On the one hand, brand building activities focus on establishing favourable attitudes and strengthening the relationship from the brand to a particular category, product attribute, customer benefit, or usage situation (Farquhar & Herr, 1993). On the other hand, brand leveraging activities must consider the strength of existing associations directed towards the brand (Farquhar, Herr & Fazio, 1990).

Different reasons such as the relatively high cost of launching and building new brands, the unavailability of satisfactory trademarks in some markets and the strong competition for distribution within the trade provoke an interest in the creation of new associations instead of generating a new brand. The point is that the strengths of the existing directional associations can limit the stretchability of the brand. For example, Farquhar *et al.* (1991) pointed out the fact that strong associations between a brand and a product category can make it risky to extend a master brand directly to other product categories (e.g. the risk of diluting the core associations and eroding the customer base).

Figure 2.9: Types of Brand Associations



Source: Chen, 2001

Many of the studies involving brands have focused on the product attributes or benefits. Aaker and Stayman (1990) conducted a study to test whether two brands of beer had established associations with their use contexts in terms of whether the consumers felt "warm", "friendly", "healthy", and "wholesome" in using the beers. They employed picture interpretation as a technique to achieve their objective. The findings were that one brand of beer was associated with "warm" and "friendly" dimensions whereas *the* other brand was evaluated higher on "healthy" and "wholesome". Hoek, Dunnett, Wright, and Gendall (2000) using qualitative interviews examined the descriptive and evaluative attributes employed by consumers in choosing products of value to them. Their findings revealed that descriptive attributes determine the proportion of consumers who hold favourable attitudes about the brand. However, the findings did not provide knowledge on how descriptive attributes affect consumer's behaviour. Although descriptive attributes could be predicted, the attributes had only a weak relationship with usage behaviour and so provided brand managers with little guidance. Again, the study suggested that longitudinal work was required to examine whether over time, users of product category who associate descriptive attributes with a brand they do not currently use ventually go on to purchase that brand.

While many studies have focused product attributes, others have pursued the line of brand extensions (Keller, 1993; Smith & Park, 1992; Srinivas *et al.*, 1994). Others have tended to dwell on brand associations (Till, 1998; Chen, 2001). Till (1998) attempted to identify how celebrity endorsers can be used effectively in advertising. Although the study did not focus on the effect of celebrity as creating the value of a product, it shed light on how endorsers can be used to help consumers to retrieve information on a brand to buy (a value to the consumer). The study by Chen (2001) may be regarded as one of the studies that were directly related to brand associations and how they' create value of products. The purpose of the research was to identify the types of brand associations and to examine the relationship between association characteristics and brand equity. The findings revealed that there were two brand associations - functional attribute and organizational attribute that contribute to a brand's equity—either low or high equity.

Measurement of Brand Associations

A firm therefore requires understanding consumer perceptions of its brand(s) vis-a-vis those of competitors. This calls for the measurement of brand associations. The techniques used to achieve this objective can be grouped into two categories—less structured and structured techniques (Aaker, 1991; Low & Lamb, 2000).

- **Projective Techniques:** The central feature of all projective techniques is the presentation of an ambiguous, unstructured object, activity, or person that a respondent is asked to interpret and explain (Aaker *et al.*, 1998). These writers argue that projective techniques are used when it is believed that respondents will not or cannot respond meaningfully to direct questions about:

    1. The reasons for certain behaviours or attitudes or
    2. What the act of buying, owning, or using a brand means to them.

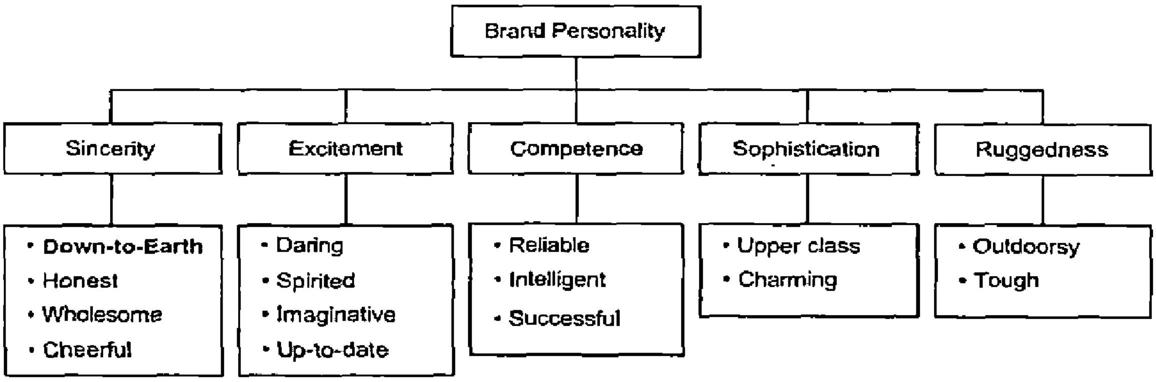
- Respondents may be unwilling or unable to reveal feelings, thoughts, and attitudes when asked direct questions for a number of reasons. First, they may be unwilling because they feel the information is embarrassing or private. Alternatively, respondents may simply be unable to provide information as to why they buy certain items because they do not know the real reasons. Many of projective techniques employed in the measurement of brand associations are meant to address problems aforementioned since they allow the respondent to project herself or him-self into a context, which bypasses the inhibitions, or limitations of more direct questioning. The techniques involve focusing on a discussion upon the use experience, the decision process, the brand user, or off- the- wall perspectives such as considering the brand to be a person or an animal. Another characteristic of projection research is the use of ambiguous stimuli, wherein there is freedom to project experiences, attitudes, and perceptions. There are many projective (indirect) approaches to understanding brand associations. The commonly used methods are word association, picture completion, Thematic Apperception Tests, sentence completion, and story completion (Aaker, 1991; Aaker *et al.*, 1998).

- **Structured Approaches:** According to Aaker (1991), structured approaches involve scaling brands upon a set of dimensions. He argues that scaling approaches are more objective and reliable than qualitative approaches since they are less vulnerable to subjective interpretation. Scaling consumer perceptions involves the determination of perceptual dimensions, identification of the target segment. and the interpretation of the brand profiles. The perceptual dimensions may include the product attributes and benefits, user of the brand, or relevant competitors. Scaling methods that marketers have utilized include semantic differential, Likert scale, conjoint analysis, and natural grouping (Aaker, 1991).

Brand Personality: Brand personality also contributes to brand equity. Both Aaker's (1996) and Keller's (1993) approach to brand equity has highlighted the importance of brand associations such as brand personality. In the past, researchers have suggested that brand personality should be seen as a more global construct: a key determinant of brand equity (Aaker, 1991; Biel, 1993). The idea of a brand personality is familiar and accepted by most advertising practitioners (Plummer, 1985). For decades, researchers have argued that brand personality is an important topic of study because it can help to differentiate brands (Crask & Laskey, 1990), develop the emotional aspects of a brand (Landon, 1974) and augment the personal meaning of a brand to the consumer (Levy, 1959). Brand personality has been used as a tool for self-expression (Keller, 1993), a differentiator of products (Biel, 1992; 1993), a key driver of preference and usage (Aaker, 1997) and also has the ability to encourage longevity of the brand (Biel, 1992; 1993). In the past, researchers have suggested that brand personality is most important when used as a research tool to identify personal meaning for the consumer. Others assert that brand personality is needed as information for creatives when developing advertising. In particular, a strong brand personality enables the consumer to interpret the brand image in a manner that is more personally meaningful (Biel, 1992; 1993).

For decades, researchers have argued that brand personality is an important topic of study because it can help to differentiate brands (Crask & Laskey 1990), develop the emotional aspects of a brand (Landon, 1974) and augment the personal meaning of a brand to the consumer (Levy, 1959).

Figure 2.10 A Brand Personality Framework



Source: Aaker, 1997

Aaker (1997) developed the concept of brand personality, or "the set of human characteristics associated with a brand". She created a reliable, valid, and generalizable brand personality measurement scale based on an extensive data collection involving ratings of 114 personality traits on 37 brands in various product categories by over 600 individuals (Keller, 2003). Product categories have (1) particular personality profiles, (2) the retationship between self-concept and the personatity of a chosen (and preferred) brand and (3) what types of brands have a different personatity vs. user imagery, as well as what such a distinction means for the brand.In her resulting framework, shown in Figure 2.10, five dimensions are distinguished -the "big five"- that help to explain the symbolic and self-expressive functions of a brand: sincerity, competence, excitement, sophistication, and ruggedness.

The research in marketing (Levy, 1959; Martineau, 1958) has shown that the perceptions and associations consumers have about brands go beyond their functional attributes and benefits, and include non-functional, symbolic qualities, often referred to as "brand image." Among these aspects of brand image are perceptions and associations about the brand's "personality", the "set of human-like characteristics associated with a brand". For instance, among soft drinks, Pepsi is often perceived by consumers as more "young," Coke as more "real and honest," Dr. Pepper as more "non-conformist and fun" (Aaker, 1997).

Not surprisingly, marketers attempt to differentiate and build preference for their brands not only on the basis of how consumers perceive them functionally but also on the basis of these brand personality perceptions (Aaker, 1997; Keller, 1993). It is believed that consumers prefer those brands which, in addition to satisfying their functional needs and wants, also symbolize those personality aspects that they find most congruent with their own actual or desired (aspired to) personality associations (Belk, 1988; Dolich, 1969). The perceived personality of a brand can be shaped by marketers via "transferring cultural meaning" into it in various ways, such as by associating the brand in communications with an endorser or place that already possesses the personality or meaning considered strategically desirable for that brand (McCracken,1986).

In assessing the strategic desirability of creating or reinforcing a particular kind of brand personality association for a specific brand, marketers need to study both (1) the existing brand personality that consumers associate with the focal brand and its competition, and (2) the extent to which a target consumer segment desires that particular kind of brand personality association, for that brand. The first of these analyses allows the marketer to assess how "differentiating" that particular kind of brand association will be; the second, how "relevant" and "value-creating" it will be. Both such "differentiation" and "relevance" are necessary for such a brand personality association to create consumer value (Batra & Homer, 2004; Aufreiter, Elzinga, & Gordon, 2003).

2.3 MARKETING EFFORTS & BRAND EQUITY

Researchers have catalogued the apparent effects of various marketing efforts and market conditions on brand equity. Simon & Sullivan (1993) listed advertising expenditures, sales force and marketing research expenditures, age of the brand, advertising share, order of entry, and product portfolio as sources of brand equity. Other marketing activities, such as the use of public relations (Aaker, 1991), warranties (Boulding & Kirmani, 1993), slogans or jingles, symbols, and packages (Aaker, 1991), have also been proposed. According to Keller (2002), several marketing communications (e.g., advertising, promotion, event marketing/sponsorship, and public relations) have positive effects on brand equity. He further suggests that different marketing activities have different contributions. Advertising, for example, is often the central element of a marketing communications program to create brand equity.

Most studies exploring the relationship between marketing efforts and brand equity building have focused on US customers. Conducting a study at a major state university in the United States, Grewal, Krishnan, Baker and Borin (1998) argued that store image had a positive relationship with the perceived quality of the brand, and frequent price promotions would adversely affect a brand's perceived quality. Dodson, Tybout and Sternthal (1978) showed that offering a promotion was found to enhance brand switching with the analysis of household purchasing data in the United States. Based on a sample of US women, Kirmani and Wright (1989) suggested that consumers might infer brand quality from perceived advertising spending. Raj (1985) used data from the Target Group Index report in the United States to investigate the relationship between market penetration and brand loyalty and found that a brand's popularity (market share) was positively correlated with loyalty to it. Employing different student samples from an American university, Cobb-Walgren *et al.* (1995) found that the brand with the higher advertising budget yielded a substantially higher level of brand equity.

Similar studies have been conducted in other Western countries. Dreze and Hussherr's study (2003) examined the effectiveness of Internet by surveying Internet users in France finding that banner ads were an effective marketing tool because they could significantly improve brand recognition and awareness. Duncan and Moriarty (1998) showed that the increase in interactivity that is made possible by new technology such as the Internet makes communication an even more important element in marketing than it has been in the past. There is evidence that the on-line environment helps a service brand to build dialogue and strengthen the motivation of customers to the service offering (Davis, Buchanan, & Brodie, 2000) and that control of an on-line brand by its owner is necessarily looser than in traditional environments (de Chernatony, 2001). Therefore, the increased communication between customers facilitated by the Internet can increase their involvement with a product and allow them to coproduce more value, so that greater transparency, hitherto associated with strong downward pressure on prices, now can be used to advantage.

Dawar & Parker (1994) evaluated whether the use of brand, price, retailer reputation, and physical product appearance as signals of quality are marketing universals for consumer products, and found that some behaviors are likely to be universal whereas others are not. Kaynak, Kucukemiroglu and Ozturk (1998) further suggested that in the international arena, the effectiveness of promotional activities differs among countries due to national and/or regional variations in the socioeconomic, technological, competitive and legal-political environments. So price sensitivity, promotion responsiveness, advertising, store image, and other activities all may differ according to the country involved. Keller (2002) noted that these differences in response to marketing activity might also be reflected in differences in consumer behavior and decision-making.

Strategically, brand equity is viewed as the outcome of long-term marketing efforts designed to create a sustainable, differential advantage relative to competitors (Doyle, 1990). Managerial efforts manifested in controllable marketing actions will influence consumers' brand knowledge, that's, psychological perceptions, resulting in a positive or negative impact on brand equity. Therefore, to create, manage, and exploit brand equity, we need to investigate the mechanism of the effects of marketing efforts (four Ps) on the brand knowledge, that is, the dimensions of brand equity.

2.3.1 Price

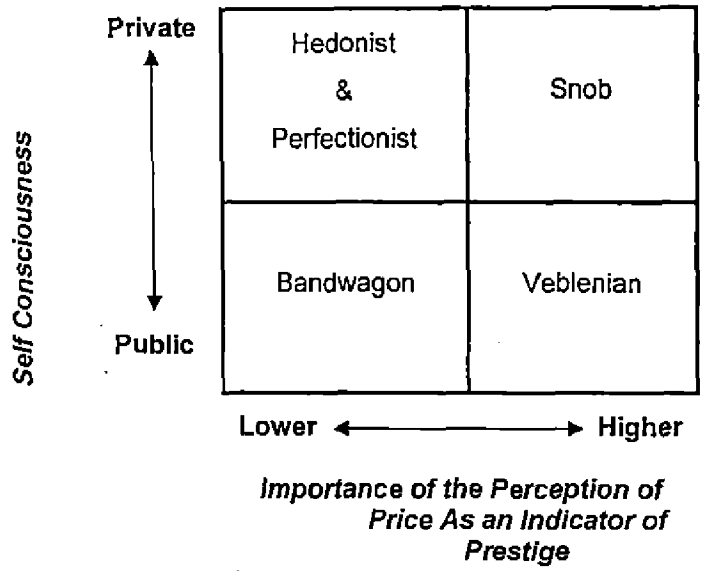
A luxury good is a good for which demand increases in disproportional pace as income rises, in contrast with an inferior good and a normal good. Luxury goods have high income elasticity of demand: as people become wealthier, they buy more and more of these goods at an increasing rate. In fact, some luxury products are considered to be examples of Giffen goods, with a positive price elasticity of demand (Varian, 1996). For instance, making a certain brand of perfume more expensive may increase its perceived value as a luxury good; as a result, sales may go up rather than down. Luxury products are often purchased simply because they cost more, without providing any additional direct utility over their cheaper counterparts (Dubois & Duquesne, 1993).

Since Veblen's seminal work (1899), the "happy few" have been researched regularly in microeconomics and marketing (Stanley, 1989; Hirschman, 1990; LaBarbera, 1988; Mason, 1981). According to Veblen, the affluent classes of a given society express their economic superiority over the less well-off by the purchase, and, above all, the show-off of these goods which serve as status symbols. Micro-economic consumer theory suggests that these conspicuous consumption patterns can be identified at the individual consumer level in terms of "conformism" and "snobbism" (Leibenstein, 1950; Corneo & Jeanne, 1997). Conformist, also called "bandwagon", behavior occurs when consumer demand for the product increases just because other people are also purchasing it. Snobbish behavior is exactly the opposite: An individual tends to buy less of the product if others are buying the same. These two types of conspicuous consumer behavior correspond to "the desire not to be identified with the poor and the desire to be identified with the rich" (Corneo & Jeanne, 1997). Both snobbish and conformist consumption motives may give rise to the so-called "Veblen effect" at the aggregate market demand level: An increase in demand due to a price increase (Bagwell & Bernheim, 1996; Hayes, Molina & Slottje, 1988). In technical terms, this means that these "luxury goods" have an at least partially upward-sloping demand curve and may possess no real intrinsic utility (Coelho & McClure, 1993).

Luxury Consumption and Different Effects: Vigneron & Johnson (1999) gave a very constructive description of luxury goods from the point of perception of consumers seeking prestige and recognition of their social status (Fig 2.11).

The consumers' perceptions of themselves travel in a bi-directional way in terms of their self-consciousness and the measure of price as an indicator of prestige in society. The Veblen, snob and bandwagon effects are evident with consumers who perceive price as the most important factor, with a higher price indicating greater prestige.

Fig 2.11 Luxury Goods & Consumer Perception



Source: Adapted from Vigneron & Johnson, 1999

They usually buy rare products and in this way emphasize their status. Vigneron and Johnson (1999) explained luxury consumption according to the following effects:

- **The Veblen Effect** – *Perceived Conspicuous Value:* Veblenian consumers attach greater importance to price as an indicator of prestige, because their primary objective is to impress others.
- **The Snob Effect** – *Perceived Unique Value:* Snob consumers perceive price as an indicator of exclusivity, and avoid using popular brands to experiment with inner-directed consumption.
- **The Bandwagon Effect** – *Perceived Social Value:* Relative to snob consumers, bandwagon consumers attach less importance to price as an indicator of prestige, but will place greater emphasis on the effect they make on others while consuming prestige brands.
- **The Hedonic Effect** – *Perceived Emotional Value:* Hedonist consumers are more interested in their own thoughts and feelings, and thus will place less emphasis on price as an indicator of prestige.
- **The Perfectionism Effect** – *Perceived Quality Value:* Perfectionist consumers rely on their own perception of the product's quality, and may use price as further evidence of quality.

Prestige Values & Relevant Motivations: Paulius and Rust (2006) described prestige-seeking behaviour as a result of multiple motivations that arise from perception of price as an indicator of prestige as well as from self-consciousness. *Veblenian* consumers attach substantial importance to price as a prestige indicator as their primary aim is to impress others; *Snob* consumers see price as an indicator of exclusivity, which they seek; therefore, they avoid popular brands; *Bandwagon* consumers attach lower importance to price as an indicator of prestige; however, they tend to emphasize the impression they make to others by consuming prestige brands.

Hedonist consumers place less emphasis on price as an indicator of prestige as they care more about their own emotions and experiences. The authors combine the five values of prestige with the five relevant motivations (Table 2.5).

Table 2.5: Five Prestige Values & Relevant Motivations

Values	Motivations
Conspicuous	Veblenian
Unique	Snob
Social	Bandwagon
Emotional	Hedonist
Quality	Perfectionist

Source: Adapted from Paulius and Rust, 2006

Researchers have acknowledged the emergence of another level of luxury which was not as apparent in the last century. In the lowest level, the middle social-class is the prime target and consumer of accessible luxury. The movement of luxury downwards has created what has been called 'democratization of luxury', 'new luxury', and 'masstige' (Danziger, 2005; Silverstein & Fiske, 2003). Even though most studied cases of mass luxury are isolated to the United States, factors such as increased income, cultural change, women's role in society and consumer behavior to trade up can be applied universally to various countries which make lower end luxury brands and goods more accessible (Silverstein & Fiske, 2003).

2.3.2 Advertising Expenditure

A product's price and quality are observable but not necessarily known so producers may have the incentive to reveal this information. Consumers who view the advertisement update their information and consumption decisions and may purchase the product. While an advertisement's social function is to provide information, both consumers and producers can benefit. A consumer seeks information in order to determine his/her valuation of a particular product. Unfortunately, information can be costly and can deter consumers from purchasing a particular product. In his seminal paper, Phillip Nelson (1970) develops the search and experience good taxonomy as a way to explain how a consumer obtains product information. The consumer will choose to obtain product quality information through search or experience depending on the opportunity cost. Without any form of advertising, the consumer is left alone to gather product information. The function of advertisements is (theoretically) to relieve the consumer of some, if not all, search costs. In another important work, Nelson (1974) explains that while advertising can be used to provide product information, advertisements for experience type goods contain little to no informational content. Furthermore, he claims that consumers will be more likely to purchase a product the more a brand advertises. As a result, advertisements for experience type goods can act as signals.

Brand-oriented advertising (e.g., non-price advertising) strengthens brand image, causes greater awareness, differentiates products and builds brand equity (Aaker, 1991; Keller, 1993). Advertising may also signal product quality leading to an increase in brand equity (Kirmani & Wright, 1989). Accordingly, several authors have found advertising to have a positive and enduring effect on quantity premium (Dekimpe & Hanssens, 1999). Two different schools of thought in economic theory, namely information and market power theories, offer alternative explanations for the impact of advertising on the margin premium component of brand equity. The information theory suggests that advertising may increase competition by providing information to consumers about the available alternatives, thus increase price sensitivity, whereas the market power theory argues that advertising may increase product differentiation, thus reduce price sensitivity (Mitra & Lynch, 1995).

Diverse theorists have demonstrated the use of clothing as a code, a language which allows a message to be created and (selectively) understood (Hollander, 1978; Holman, 1981; McCracken & Roth, 1989). Perceptions of brand-users have been found to differ for nearly identical brands within a product category (Swartz, 1983). Clothing is particularly susceptible to differences in consumption stereotyping, and therefore to differences in ability to decode a range of messages. Noesjirwan and Crawford (1982) make the point that "clothing is primarily a means of communicating, not personal identity, but social identity". In their seminal research on the interpretation of clothing "codes", McCracken and Roth (1989) found that females were significantly better than men in interpreting the syntax of clothing codes. That is, women more readily recognised a "look" and were more sensitive to fashion cues than men are. Recent research has shown that men and women differ in the way they pay attention to cues in advertising (Meyers-Levy & Maheswaran, 1991) and similarly that they read fashion symbols with different criteria (Elliott, 1994; Meyers-Levy & Sternthal, 1991). Females have been found to be more sensitive to the informative details provided in ads than men generally are. Following on from McCracken and Roth (1989), Elliott (1994) also found a difference in the way different age groups respond to popular brands in an exploratory study of the meanings of brands of sneakers. McCracken and Roth (1989) discovered that age can be a highly significant variable in the interpretation of certain fashion codes, particularly "punk"; Elliott observed a remarkable difference between secondary school and university students in the semantic clusters elicited in relation to sneakers. The younger children made no specific reference to advertising messages, but had very strong opinions on which brands were fashionable and which were definitely not.

Several studies have been conducted to show the influence of self-monitoring groups on responses to advertising (Johar & Sirgy, 1991; Lennon, Davis, & Fairhurst, 1988; Shavitt, Lowrey, & Han, 1992; Snyder, 1989; Snyder & DeBono, 1985). In particular, Shavitt *et al.* (1992) hypothesised that multiple function products (having both social identity and utilitarian functions) would elicit the strongest differences in response to advertising between high and low self-monitors. In their study, jeans were considered to be a multiple function product "because they are associated with important utilitarian outcomes (e.g. comfort, durability), as well as social image implications (e.g. conveying one's style, taste)".

The impact of the media, especially television and the Internet, in modern society is undeniable because it is able to reach a wider audience (Orton, 2000). Media influences have been shown to help define consumer's worlds by sketching an image in their mind that the consumer will want to relate to and attain for him/her (Lippman, 1992). The current study examined the effect of advertising expenditures by including three advertising media: TV, print, and Internet.

TV Advertising: It has been suggested that since the mainstream introduction of television, Americans have been frequently bombarded with images of success and wealth, and the purchase of luxury products may in fact be purchased simply to improve one's status (Petrova & Cialdini, 2005). Television is generally acknowledged as the most powerful advertising medium because it allows for sight, sound, and motion and reaches a broad spectrum of consumers. TV advertising can be an effective means of vividly demonstrating product attributes, explaining consumer benefits, and portraying non-product-related user and usage imagery, brand personality, and so on. Thus, TV ads can contribute to brand equity by enhancing awareness, strengthening associations or adding new associations, and eliciting a positive consumer response (Keller, 2002). Lodish, Abraham, Livelsberger, Lubetkin, Richardson, & Stevens (1995) found that TV advertising worked well in increasing brand penetration and boosting sales for products advertised. Research demonstrates that consumers often use television to learn about affluent lifestyles (O'Guinn & Shrum, 1997), and then try to imitate stereotypes of affluence by consuming similar prestige products (Dittmar, 1994). O'Guinn and Shrum (1997) examined the consumers' use of television to construct social reality. Their study identified that the prevalence of products and activities associated with an affluent lifestyle were positively related to the level of exposure to television. In addition, Hirschman (1988) analyzed the impact of television shows such as "Dallas" and "Dynasty" on consumers' orientation and ideology. The results revealed that viewers used the information on affluent lifestyle portrayed in these programs to project their own ideology and orientation.

Print Advertising: Print ads can provide detailed product information because of their self-paced nature. Keller (2002) suggests that they are particularly well-suited to communicate product information, and are an effective communicator for user and usage imagery. Print advertising, especially magazine ads, is a very effective communication tool for the apparel industry & that many fashion brands, like Calvin Klein, Tommy Hilfiger, and Guess, employ magazine ads to create unique nonproduct associations. Magazine advertising delivers a highly qualified target and can be enormously effective in increasing brand sales and expanding market share. According to Sundar *et al.* (1998) the print medium is superior to the online medium in memory measures, ascribing the effect to the delivery mechanism and users' expectations. On the other hand Gallagher, Foster, and Parsons (2001) use advertising hyper-linked to a related text and state that both media are equally effective.

Internet Advertising: The luxury clientele is changing. Interactive, online marketing communication is the trend in the new century. Alongside, the traditional luxury-goods consumer made up of the world's most wealthy; a new, younger, less loyal and more Internet-friendly category has been emerging (Economist, 2002). The more accessible luxury segment is highly competitive, especially in the American and emerging markets where some luxury brands already operate through the Internet. Firms should therefore carefully monitor what their Asian and American counterparts have already been planning and accomplishing through this new channel so that they can respond to the conquering strategies and to the different rules of the games fixed by entrants (Roux, 1995).

Studies show that Internet advertising is nonetheless effective in building brand equity.Web advertisement is often used for brand building and has also proven effective for that purpose (Gong & Maddox 2003),Advertisers were one of the early proponents of the Internet, embracing its dual promise of global reach and one-to-one targeting (Dreze & Hussherr, 2003). Schlosser, Shavitt and Kanfer (1999) found that information provided by Web advertising was perceived as trustworthy and less irritating than general advertising because of its interactivity feature. Another advantage was that it made information about products or services immediately accessible. Dreze and Hussherr (2003) investigated the effectiveness of Internet advertising and found that it was actually effective because it led to brand recognition and brand awareness.

Extant research indicates that the growing usage of the Internet that has taken place since the birth of web browsing has not substituted one-to-one for the consumption of traditional media. Although online newspapers' consumption appears to have displaced print consumption, existing estimates of the crowding out effect indicate it is smaller than envisioned in earlier predictions (Gentzkow, 2007). The Internet's effect on television viewing also appears to have been moderate, and primarily affected the viewing of the youngest individuals while having no impact on the viewing of the oldest individuals (Liebowitz & Zentner, 2010). Importantly, the Internet has made media available for many individuals where their consumption was previously either banned or impractical (e.g. read the newspaper online at work or watch mobile television).

Characteristics of the internet as a marketing medium have been discussed by Novak and Hofmann (1996). Although news magazines are similar to their internet pendants in that they are both dominated by text and pictures, important differences with regard to advertising effectiveness have been found. These include (a) attitude towards advertisement, (b) complexity and (c) the carrier material. Advertising effectiveness depends on users' receptiveness towards an ad and on their attitude towards advertising. For print advertisement Metha (2000) found out, that respondents with more favorable attitudes towards advertising recalled a higher number of advertisements the day after exposure. In the internet, it is frequent that advertising is used with higher levels of forced exposure than only static banners .Since higher intrusiveness leads to ad avoidance and irritation, a less favorable attitude among consumers vis-à-vis internet advertising can be supposed. Assuming, that the overall attitude towards internet advertising is less favorable than towards print advertising, lower ad memory can be expected. Moreover, as Sundar *et al.* (1998) have speculated, a computer screen with its thick boxed boundaries, might limit readers' attention to the center of the screen. This could lead to a reduced perception of ads placed at the border of pages. The carrier material can additionally influence advertising effectiveness, as flickering displays and unfavorable color characteristics with screens (e.g. radiated light spectrum differs from natural white light, contrast, or brightness) might be tiring and thus negatively impacting concentration.

To summarise, branding has been at the heart of business strategy on the internet. Because brands have both meaning and real monetary value, they have impact on every aspect of the business and its operations, and this becomes even truer on the web. The whole experience for the consumer, from navigating the site through all the fulfilment and delivery, is visible and says something about the trustworthiness of the brand. In the past this chain of activities occurred but was largely hidden from the end user and tended to occur relatively slowly. The Internet is a radical shift, as not only is the consumer actively involved in all stages of the transaction, but also the stages are transparent and happen fast.

2.3.3 Distribution Exclusivity

The distribution of luxury goods is by definition synonymous of selectivity if not exclusivity. The well-known luxury goods brands were the first to perfectly control distribution by introducing branches in the main European towns at the beginning of the twentieth century. The strategic aim was to control distribution tightly to preserve the image and the reputation of the brand. This objective remained unchanged until the early 1970s. A second phase began with the "democratisation" of luxury items and continued until the second half of the 1990s, where distribution strategy moved from exclusivity to selectivity with the number of outlets selling luxury goods multiplied. However, this tendency has recently been reversed. Distribution has become a strategic variable once again due to the concentration of companies in very large multi-brand groups. The manufacturers have taken back control of distribution, developing their own stores networks and choosing independent distributors very carefully. One of the main consequences of this strategic change has been the setting up of complex distribution networks consisting of different formats, namely multi-brand stores, mono-brand stores, flagship, corners in department stores and designer outlets (Moore & Birtwistle, 2005).

Distribution Intensity & Exclusivity—A Comparison: Distribution intensity has been commonly defined as the number of intermediaries used by a manufacturer within its trade areas (Bonoma & Kosnik, 1990; Stern, El-Ansary, & Coughlan, 1996). Distribution intensity refers to the number and different levels of distribution channels for a product in a market (Alashban, Hayes, Zinkhan, & Balazs, 2002). In many categories of consumer products, desired distribution patterns are not straightforward. Some markets, such as the food industry, are characterized by complicated distribution channels; others, such as automobiles, are characterized by selective distribution channels. Ideal distribution intensity would make a brand widely available enough to satisfy, but not exceed, target consumers' needs, since oversaturation raises marketing costs without providing benefits (McCarthy & Perreault, 1984). Distribution is intensive when products are placed in a large number of stores to cover the market. However, to enhance a product's image and get substantial retailer support, firms tend to distribute exclusively or selectively rather than intensively.

2.3.4 Store Image

Retailers' impact on brand equity (e.g., through pricing, placement, and shelf position) is growing (Srivastava & Shocker, 1991). In reviewing the literature, many image studies have dealt with retail/store image (Bloemer & de Ruyter, 1998; Porter & Claycomb, 1997; Mazursky & Jacoby, 1986), & clothing products (Faircloth, Capella, & Alford, 2001). Three different trends of research concerning store image can be identified: the first one deals with the components of the store image; the second and more recent one considers the image of international retail companies operating in different markets. The third one investigates the personality of retail companies. It is worth noticing that the interaction between customers and stores is a key component in the building up of the retail companies' personality (Martineau, 1958; Aaker, 1997).

The role of distributors in the marketing system is becoming increasingly important. Their influence on brand equity is beyond the "availability" factor in the marketing share equation, and retailers' brand equity might enhance the equity of the brands they carry based on the value the retailers provide to their customers (Srivastava & Shocker, 1991). Grewal, Krishnan, Baker, & Borin (1998) found that store image provided a tremendous amount of information to consumers about store environment, customer service, and product quality, and the perceived quality of the brand was found to have a positive relationship with store image. When examining the effects of price, brand, and store information on buyers' product evaluation, Dodds *et al.* (1991) found that both brand and store names had a positive effect on perception of quality. Stores with a positive image can provide greater consumer satisfaction and stimulate active and positive word-of-mouth communication among consumers (Rao & Monroe, 1989; Zeithaml, 1988). So a positive store image can increase a brand's level of exposure in the marketplace, which can improve brand recognition and awareness.

Concept of Store Image: A brand's image is a combination of consumers' subjective perceptions of the product's innate characteristics and the surrounding environment—the retail setting (Porter & Claycomb, 1997). The distribution channel can directly affect the equity of the brands it sells by its supporting actions. It can also indirectly affect the brand equity of the products by influencing the nature of the product associations on the basis of the associations linked with the retailer stores in consumers' minds. The transfer of the store image associations can be either positive or negative for a brand (Keller, 2002). Manufacturers positioning their brands as high-quality are likely to be more diligent in screening prospective retailers, because retailer image or reputation can influence brand image within the store (Lusch & Dunne, 1990).

Martineau (1958) is generally recognized as one of the first researcher to introduce the concept of store image as a key for differentiation He defined it as "a store defined in customers' mind partly based on functional attributes and partly based on psychological attributes." He claimed that store image includes its characteristic attributes and it makes customers feel the store different from others. Functional attributes are assortment of commodities, layout, location, price-value relation, and service that consumers can objectively compare with other stores. Psychological attributes are attractiveness and luxuriousness that represent special attributes of that store.

Table 2.6 Definitions of Store Image

Scholars	Definition of Store image
Kunkel and Berry (1968)	Store image is built up through experience and totally conceptualized or expected strengthening that urge consumers to purchase at the specified store.
Oxenfeldt (1974)	Store image is a complex of attributes that consumers feel about the store and it is more than a simple sum of objective individual attributes since parts of attributes interact in consumers' minds.
Zimmer and Golden (1988)	Store image means a complex in total dimensions of store attributes that consumer feel and a complex means that store image consists of various attributes.
Berman and Evans (1995)	Store image consists of functional and emotional attributes, these are organized in the perceptual structures of purchasers, and the structures are expectation on overall policies and executions of retailers.

Source: Yoo & Chang, 2005

Many studies on store image followed Martineau (1958). Arons (1961) defined store image as complex of meanings and relation that make consumers distinguish the store from others. Here meanings are attributes or factors of retail stores and relations are structures that combine them to act. Thus stores with good image will lead to an increase in brand associations positively. A few of major definition of store image are presented in table 2.6. Although there are differences of definitions of store image according to scholars but we can say that store image is an overall attitude of a consumer to the store, its attributes mean various things, and each store has a relative location in the consumer's mind.

Store Image Dimensions: Store image encompasses characteristics such as physical environment, service levels, and merchandise quality (Zimmer & Golden, 1988). Martineau (1958), identified four core attributes of store image: layout and architecture, symbols and colours, advertising, sale personnel. Lindquist (1974) identifies nine categories: merchandise, service, clientele, physical facilities, convenience, promotion, store atmosphere, institutional factors and post-transactional satisfaction. McGoldrick (2002) proposes a summary of 18 "general areas" comprising 90 different elements used in previous image and brand identity studies. Both Martineau (1958) and Lindquist (1974) distinguish between functional qualities and psychological attributes in the construction of a retail image, with a special emphasize on the role of the customers exposure to a store experience on the psychological attributes.

Kapferer's (1986) identity prism integrates functional and symbolic elements and stresses the significant impact of these elements when they are decoded by customers. Similarly, Mazursky and Jacoby (1986), underline the correlation existing between tangible and intangible elements, as well as the significant role of customers' individual knowledge and past experience, in the building of a holistic store image. A particularly relevant field of research concerns the atmosphere conveyed inside the stores and its impact on consumers' attitudes and behaviour. The concept of atmospherics was coined by Kotler (1973), and other scholars developed and deepened it. In his seminal work, Bitner (1992) proposes a conceptual framework linking the environment variables in a store or a service outlet to both the reactions of customers and employees and their behaviour. In this model, Bitner also introduces various moderating variables influencing both customers' attitude and behaviour. A complete set of research has then been conducted to test the Bitner's conceptual framework and to assess the importance and the influence of atmosphere factors stimulating every single customer's sense.

Bearden (1977) mentioned the influence of store image as "consumers choose stores that they feel close to their self image," and he tried to find out store image attributes that affect store choice and loyalty for downtown and suburban shopping centers. Hansen and Deutscher (1978) showed that store image and its attributes make an important role in the choice of retail stores in his study on image attributes. In their model of the process of store choice, Engel, Blackwell, and Miniard (1990) claimed that purchasers distinguished acceptable stores from unacceptable stores in the process of comparing their evaluation standards with perceived image attributes, and that "store image is a variable that consumers depend on in their choice of stores." Thus store image can be considered to influence brand equity.

James, Durand and Dreves (1976) found that image attributes influence consumers' perception and attitudes and they are directly related to sales profits. Schiffman, Dash and Dillon (1977) focused on the description of image existing in the competing types of retailers and explained that store image attributes made an important role in the choice of store type. Hildebrandt (1988) said, "major success factor in retail industry is store image and measurement model of store image that conceptualize the perception of store image attributes such as price level is used to forecast marketing performance as a business success measure." He analyzed the relation between store image and store image attributes using causal relation model and found again that store image was a cause variable of store performance. Explaining the store image emphasizing design part, Levy and Weitz (1996) claimed, "Store tell customers with all visible outside factors and real set-up structure of facilities make most of purchase possible."

In their study on supermarket customers, Stanley and Sewall (1976) used MCI model that added image distance calculated from multidimensional analytical tool to Huff model and got the result that stores with favorable images could attract remote customers and that such images lessened location uneasiness. Nevin and Houston (1980) used Huff's stochastic model in their study on the importance of store image as a factor of attracting customers in competitive shopping areas. They showed the development and management of favorable store image was one of the most important abilities of retailers in the market position. In addition, they emphasized the role of store image since store image was considered important in the development of marketing strategies to determine shopping areas. In their study on the segmentation of retail markets based on store image, Steenkamp and Wedel (1991) mentioned that the consideration of store image made an important role in the development of marketing strategies of both individual and chain stores and shopping centers. They added that it was important for marketers to know how the consumers felt retail stores to develop marketing strategies of retailing to attract them.

Table 2.7 Comprehensive Literature Review of Store Image Dimensions

Component	Previous Studies	Item of Questions
Quality	Kunkel & Berry (1968), Lindquist (1974)	Excellence of quality relative to the other stores Excellence of quality relative to price
Price	Kunkel and Berry (1968), Nevin & Houston (1980)	Low price relative to the other stores Reasonable price relative to product Overall lowness of product prices
Assortment	Kunkel & Berry (1968), Berman & Evans (1995)	Availability of new (fashionable) products Variety of brands Variety of product designs and colors Variety of kinds of product
Promotion	Kunkel & Berry (1968), Lindquist (1974), Berman & Evans (1995)	Frequency of sales Scope of sale product Providence of new product information Invitation of cultural events and special sales Sending cards for birthday or anniversary Frequency of gift events
Advertisement	Kunkel & Berry (1968), Lindquist (1974), Hansen & Deutscher (1978)	Information providence of advertisement Usefulness of shopping plan of advertisement Appeal of advertisement
Convenience	Hansen & Deutscher (1978)	Easy movement within the store of shopping Easy search of wanted goods Possibility of blanket purchase
Convenience of location	Lindquist (1974)	Easy entrance and exit to parking lot Connection to public transportation Proximity to home or working place Shopping bus schedule
Salesperson Service	Kunkel & Berry (1968), Lindquist (1974), Hansen & Deutscher (1978)	Kindness of salesperson Assistance of salesperson on product and related information Affirmative action and solution to complaints by salesperson
Credit service	Kunkel & Berry (1968), Lindquist (1974)	Variety of credit cards accepted Easy return and exchange of goods
Store brand	Hansen & Deutscher (1978)	High class image High brand name
Store atmosphere	Kunkel & Berry (1968), Lindquist(1974)	Happiness of shopping atmosphere Luxurious atmosphere of lighting, color, and facilities
Store loyalty	Samli (1989), Zeithaml (1988), Berry (1995)	Favorable wording Repetitive purchase Intention of repurchase

Source: Yoo & Chang, 2005

Consumers make store images based on advertisement, commodities, transmission of words, and shopping experience (Assael, 1998). The dimensions and properties of store image are depending on the purpose and objects of studies. But all the researchers agree that store image is intrinsically multi-dimensional. Hansen and Deutscher (1978) systematically classified components of store images. They collected data of 485 respondents who were customers of department and general stores in order to investigate relative importance of store images for various segmented consumers. They determined 41 image attributes and then ranked them using means of 10 points scales. They used three-level classification scheme; attributes are the narrowly and really defined constructs, components are sets of similar constructs, and dimensions are sets of components. In that way, they grouped 41 attributes into 20 components, and then grouped them again into 9 dimensions. Other studies on the store image components include those of James, Durand and Dreves (1976), Bearden (1977), Nevin and Houston (1980), and Berman and Evans (1995). A comprehensive Litterature review of store image dimensions is shown in Table 2.7.

2.3.5 Celebrity Endorsement

It has been claimed "advertisements don't just sell commodities, they give meanings to brands" (Myers, 1999). Similarly, McCracken (1986) argues that advertising is one of the ways to move meanings from the culturally constituted world to consumer goods. This movement is accomplished by the efforts of advertising agencies that present themselves as professionals capable of understanding meanings and associating them with products. An important conduit of meaning in today's advertising are celebrities who bring a unique set of attributes that are then associated with the brand or company they are endorsing. Professional athletes have been used extensively to bring attributes of health, vitality and success to be associated with a brand (Fink, Cunningham & Kensicki, 2004; Mathur, Mathur, & Rangan, 1997). There is a vast amount of literature available in consumer studies that manipulate celebrity endorser characteristics such as attractiveness, match up, likeability, familiarity, trustworthiness, identification and expertise (Bush, Martin, & Bush, 2004; Kahle & Homer, 1985; Kamen, Azhari, & Kragh, 1975; Kamins, 1989; Misra & Beatty, 1990; Ohanian, 1991; Petty, Cacioppo, & Schuman, 1983; Silvera & Austad, 2004; Till & Busier, 2000).

Who is a Celebrity? Friedman & Friedman (1979) defined a celebrity as "an individual who is known to the public (i.e., actor, sports figure, entertainer, etc.) for his or her achievements in areas other than that of the product class endorsed". In testimonial advertising, consumers traditionally have been chosen as product endorsers because of their similarity to the target group. However, a noticeable trend appears to be endorsements by actors/actresses and well-known athletes who are closely associated with both the product and the target audience (Slinker, 1984). According to Bradley (1996), approximately 20 percent of all commercials use some type of celebrity endorsement. The celebrities are most commonly used in advertising, although they can also be effective in consumer promotion, on the package, and at large trade shows, national sales meetings, and other significant publicity events (Till, 1998). Past empirical research has shown celebrities to be well-liked and generally attractive, though not always credible and effective spokespeople (Freiden, 1984; Friedman, Termini, & Washington, 1976).

Reasons for Using Celebrities as Endorsers: There have been numerous reports regarding the effects that celebrity endorsers have on consumer product perception and attitudes (Zollo, 1999; Ohanian, 1991, McCrackan, 1989). Reasons companies use celebrity endorsers to promote a company's product include cognitive product recall (Friedman & Friedman, 1979), product credibility (Kamins, 1989), and improve corporate profits (Agrawal & Kamakura, 1995). There are several widely discussed reasons for using celebrities as endorsers in advertising; celebrities get attention which cuts through advertising clutter, they can polish a tarnished image, reposition an existing brand, I ntroduce a new brand, and/or help global advertising (Erdogan, 2005; Kaikati, 1987; Miciak & Shanklin, 1994). Moreover, empirical studies provide ample evidence that celebrities do get attention and lead to better recall results for advertisements, effect credibility of advertisers' claims, provide positive attitudes hopefully transferred to brands (Cooper, 1984; Fink, Cunningham, & Kensicki, 2004), and generate greater intention-to-purchase endorsed products (Friedman, Termini, & Washington, 1976; Kamins, 1989).

McCracken (1989) theorized that celebrities bring their own culturally constituted meanings to the endorsement process which was later empirically supported by Walker, Langmeyer, & Langmeyer (1992). Unique meanings that celebrities' embody (beauty, success etc.) are transferred to brands that are fairly mundane. Similarly, other scholars have proposed that associative learning theory is useful in explaining the process in which the celebrity's unique attributes are transferred to brands (Till, 1998; Till & Shimp, 1998). According to associative learning theory memory can be considered to be a network of various nodes which are connected by associative links. The pairing of two stimuli (a celebrity and brand) over a period of time will build a link between the nodes. Till & Shimp (1998) maintain that feelings and or meanings toward a celebrity will transfer to the endorsed brand after repeat exposure to the pairing. Therefore, when someone thinks of Michael Jordan, they may also think of Nike. The use of sports stars might work in order to draw the attention towards an ad (Dudzik & Gröppel-Klein, 2005). It has been asserted that "firms have been juxtaposing their brands and themselves with celebrity endorsers (e.g. athletes, actors) in the hope that celebrities may boost effectiveness of their marketing and/or corporate communication attempts for at least a century" (Erdogan & Kitchen, 1998).

For large companies with well-established brand equity and image, the value of partnering with high profile athletes may be most effective. Jowdy and McDonald (2002a) state that companies have traditionally selected high profile athletes from major sports to endorse all types of products.

Several studies have compared the use of a celebrity endorser versus a non-celebrity endorser. Researchers have found that the use of a celebrity as a endorser for beer led to the advertisement being evaluated as being more "interesting", "stronger" and more "effective", while the beer was evaluated as more "pleasant", "superior" and "enjoyable". Similarly, the use of a celebrity endorser has led to higher brand evaluations than the use of average citizens as endorsers (Till, 2001).

Although potential benefits of utilizing celebrity endorsers are significant, so are the costs and risks. While aforementioned advantages of using celebrity endorsers exist, these benefits may become a liability if a celebrity is accused of breaking the law, declines in popularity, receives bad press, or loses credibility by endorsing too many brands (Cooper, 1984; Kaikati, 1987; Till, 1998).

Celebrity Endorsements & Youth: Celebrity worship has become common among young people around the world (Yue & Cheung, 2000) and may stem from a developmental need for identification and intimacy (Josselson, 1991). Response to celebrity appearances in television commercials sometimes goes beyond emulation.

For instance, some research suggests that young admirers spoke of celebrities as if they had a 'real' relationship with them. The celebrity's messages became part of the individual's social construction of reality (Alperstein, 1991). Celebrity worshipping could thus have a prevalent influence on shaping their followers' values, attitudes and behaviours (Schultze, Anker, Bratt, Romanowkski, Worst, & Zuidervaart, 1991). Advertisers and marketers also capture the opportunity to encourage young followers to consume the products endorsed by their celebrities.

Research on celebrity worshipping by young people focuses mainly on antecedents to celebrity worshipping (Sobel, 1981; Greene & Adams-Price, 1990). A survey found that young people who reported that they shared a bond with their idols (all were media figures) were more likely to attribute their idols in guiding their choice of identity and shaping their feelings of self-worth. A majority of the sample reported that their idols had influenced their attitudes and personal values, in particular beliefs about work ethic and morality (Boon & Lomore, 2001). Empirical research indicated that direct role models (e.g. fathers and mothers) and vicarious role models (e.g. favourite entertainers) affected young people in brand selection, brand switching and lodging consumer complaints (Martin & Bush, 2000). Young consumers reported that they were more likely to use products endorsed by entertainers or famous athletes (Lafferty & Goldsmith, 1999).

Celebrity Effectiveness & Explanatory Models: The effectiveness of celebrity endorsement and young people's endorsement of materialistic values can be explained by several models. First, the source attractiveness model predicts that a physically attractive source will be more persuasive than a source perceived as not so attractive (Kahle & Homer, 1985). Second, the match-up hypothesis proposes that the physical attractiveness of the celebrity endorser may enhance product-based and ad-based evaluations only if the product's characteristics 'match up' with the image portrayed by the celebrity (Kamins, 1990). Third, young people are attracted to brands endorsed by their idolised celebrities because they want to acquire the idealised self-identity for self-enhancement (Swann, Seroussi, & Giesler, 1992). This can also be seen as a need to compensate for the particular image that young people do not possess (Woodruff-Burton & Elliott, 2005).

Ohanian (1991) states that source credibility is the most important characteristic in selecting a celebrity endorser. Source credibility breaks down into three dimensions:

expertise, trustworthiness, and attractiveness. Expertise is the perceived validity of the assertions made by the celebrity. This connection is often made by a previous association of the person to the nature or aspect of the product. Famous chefs endorse food products, athletes endorse athletic shoes, musicians endorse stereo equipment, etc. Trustworthiness is the confidence that the consumer has in the celebrity regarding honesty and objectivity. Often people are skeptical when someone, especially an unknown person, is trying to sell them something. The more trust they have invested in a public figure, the less suspicious they will be about the qualities of the product being endorsed.

Attractiveness, though a very subjective matter, is also important in an effective celebrity endorsement. Beauty is in the eye of the beholder, or target market. Studies have been done that indicate physically attractive people communicate messages better than unattractive people (Chaiken, 1972). Source attractiveness is another model used to evaluate a celebrity for a fit with a product. The dimensions are: similarity, familiarity, and liking of the person. Similarity is the degree to which the celebrity resembles the target market. Familiarity is how well the market knows the celebrity. Liking refers to how much the target market likes the celebrity based on looks and behavior (Erdogan, Baker, & Tagg, 2001).

Not all agree that source credibility and source attractiveness are the most important models to determine celebrity effectiveness. Empirical evidence finds the dimensions of trustworthiness and expertise of little importance to the consumer's decision. Celebrities are complex individuals and their meaning beyond physical attractiveness within the culture of the target market should be considered most (McCracken, 1989). However, cultural meaning is difficult to rank and categorize and would therefore be hard for a practical marketing manager to utilize. To expand the source credibility criteria further than the three-dimensional model, from their study of ad agencies, a "base criteria" was found by Miciak and Shanklin (1994) that should exist in any potential product endorser. The criteria were narrowed to trustworthiness, recognizability, affordability, low risk of negative publicity, and appropriate match with target audience. While these overlap somewhat with Ohanian's dimensions, they provoke more considerations to the choice.

How thriving brands are conceived and commercialized is characterized as FRED, an acronym coined by Young & Rubicam (Y&R) that stands for familiarity, relevance, esteem, and differentiation. Miciak and Shanklin (1994) added proper deportment or decorum to this list & thus FRED became FREDD.

- ***Familiarity:*** All of the dimensions that constitute celebrity attractiveness combine to make an audience aware of a celebrity. Of these, the most important norms for a celebrity to meet are being easy to recognize, likable, and friendly. This is not to say that the celebrity must be familiar to a wide audience. Rather, he or she must be recognized by the intended target audience.
- ***Relevance:*** This benchmark asks the advertiser to evaluate initially whether there is a pertinent fit between the celebrity and the product. Does the celebrity have the image, reputation, values, and appearance that will make for believability when he or she puts a personal stamp of approval on the product or service?
- ***Esteem:*** This selection principle holds that a celebrity must have personal credibility and be held in high regard by the target audience. For athletic endorsers, winning is an important contributor to esteem.
- ***Differentiation:*** Like a me-too brand, a run-of-the-mill celebrity will in most cases not attract enough attention. A chief reason for using celebrities in the first place is to cut through massive advertising muddle. When contrasted to the average person, of course, a celebrity is different. Yet the germane issue is how distinctively a celebrity comes across when compared to the apropos reference group--other high-profile people. It is in this regard that an endorser needs to be distinct.
- ***Deportment:*** A celebrity spokesperson under consideration can measure up well on familiarity, relevance, esteem, and differentiation, and still fail the final "must pass" test of deportment. Madonna has extraordinary name recognition, is unique and held in high esteem by some audiences, and has expertise in certain product lines. Even so, as Pepsi experienced to its chagrin, her decorum makes her a dangerous endorser.

The use of advertising has changed over the past 150 years, from the classical to the modern school. In the modern advertising strategies various appeals are included, such as sexual, chock, emotional, fear, and humour (Belch & Belch, 2001). The main purpose of these appeals is to deliver the information that the company seeks to send to gain high brand awareness and brand recognition among a large audience. Research has found supporting evidence that celebrity endorsements impact on audience attention, recall, evaluations and purchase intentions (Hsu & McDonald, 2002). In general the literature has focused primarily on how to create positive celebrity endorsement effects (Louie & Obermiller, 2002; Till & Shimp, 1998). Celebrity endorsement can be used for a variety of purposes, such as to attract attention to the product or brand (Kaikati, 1987), communicate its merits (Kamins, 1990), and penetrate commercial clutter (Miciak & Shanklin, 1994).

Spielman (1981) has shown that celebrities can be employed to enhance the subject's attentiveness to the ad, make the copy more memorable, credible, or desirable, and effectively glamorize the product. Keller (2002) suggests that the rationale behind the celebrity strategy is that a famous person can draw attention to a brand and shape its perceptions based on consumers' knowledge of the famous person. In a study by Copeland, Frisby, and McCarville (1996), twenty-two companies were asked to select the most import criteria from thirty-seven selections. The results showed that increased product awareness was the second most important reason companies choose celebrity endorsers. Research findings have shown that celebrities make advertisements believable (Kamins, 1989) & enhance message recall (Friedman & Friedman, 1979). Celebrity endorsement thus affects the brand awareness positively.

Celebrity endorsement entails associating a product or service with a person whose name and face are already well known (Henriks, 1996). Young people often form secondary attachments to media figures in addition to relations with family and peers. These attachments facilitate adolescents' transition to adulthood and the formation of a mature adult identity (Erikson, 1968). Using ethnographic analysis, Caughey (1978, 1985, 1994) found that young admirers consider celebrity idols as their idealised self-images. Admirers want to develop or refine personality traits that are similar to those of their idols. Young people reported that they wanted to revise their physical appearance, abilities, values and attitudes in order to imitate those of their idols. Caughey (1985) concluded that people's 'imaginary' relationships with media figures will shape both their own self-identities and their subjective evaluation of self-worth. Celebrity endorsement thus affects the brand association positively.

When a company induces a celebrity to endorse a brand, it hope the brand can benefit from customers' awareness of the product, which could include the perception of quality, educational value, or a certain image. A credible celebrity endorser is normally a sign of high quality in consumers' minds. For example, the association of top-line athletes with a particular sports brand can be seen as an indication of the superior quality of the product, which creates an image of credibility. According to Lyons and Jackson (2001), endorsements by African-American superstar athletes such as Michael Jordan, Bo Jackson, Michael Johnson, and Cynthia Cooper have made Nike a household name within the African-American community. Moreover, the Nike logo appears on the jerseys, pants, and hats of thousands of professional athletes. Celebrity endorsement thus affects the perceived quality positively.

2.3.6 Event Sponsorship Campaigns

The marketer's principal objective is to reach the target group and sell more. However, consumers almost always approach the marketplace with a well-established set of tastes and preferences (Hoyer & Brown, 1990). This makes it difficult for new products to position between the already flooded market demands. Traditional marketing communication activities such as advertising and sales promotion are faced with the challenges of reaching increasingly fragmented consumer markets and cutting through an overload of messages aimed at consumers, which creates media clutter (Meenaghan, 1983). Marketers have been spending more and more to try to get their message out, only to find their pitches drowned out in a sea of noise generated by countless other marketers trying to do the same thing (Freedman, 2005). Sponsorship is viewed as a means of avoiding this clutter by enabling sponsors to identify and target well-defined audiences in terms of demographics and lifestyles (Fan & Pfitzenmaier, 2002; McDaniel, 1999; Meenaghan, 2001; Roy & Cornwell, 2004, Smith, 2004). Corporate sponsorship of sports and other events is one of the fastest growing forms of marketing communications used to reach target audiences. The rate of growth in sponsorship expenditures is greater than for traditional media advertising and sales promotion (Roy & Cornwell, 2004).

A body of literature has emerged over the past years that examines corporate event sponsorship as a distinct marketing communications vehicle that complements a firm's marketing communications program (Cornwell & Maignan, 1998). Early research on sponsorship attempted to establish the role of sponsorship in marketing communications (Meenaghan, 1983, 1991) and how sponsor organizations planned, executed, and measured event sponsorships (Abratt, Clayton, & Pitt, 1987; Shanklin & Kuzma, 1992). Later research on sponsorship has incorporated various theories in an effort to explain the effects of sponsorship on consumer behaviors (Gwinner, 1997; Gwinner & Eaton, 1999; Jo-har & Pham, 1999; McDaniel, 1999; Pham & Johar, 2001; Speed & Thompson, 2000).

What is sponsorship? Several definitions that posit sponsorship as a distinct promotional activity have been given in the literature (Cornwell, 1995; Meenaghan, 1983). Based on a review of the sponsorship literature, Cornwell and Maignan (1998) state that sponsorship involves two activities. First, an exchange between sponsor and event property occurs whereby the event property receives compensation (i.e., rights fee) and the sponsor obtains the right to associate itself with the event. Second, the sponsor leverages the association by developing marketing activities to communicate the sponsorship. Sponsorship refers to "provision of assistance either financial or in kind to as activity by a commercial organization for the purpose of achieving commercial objectives" (Meenaghan, 1983). Sponsorship is an investment in an event or cause in order to support the company's corporate objectives, such as an enhancement of corporate image or an increase in brand awareness. The meaning of sponsorship as an integral element of the marketing mix has been conceptualised by Sandler & Shani (1992) with the following definition: Sponsorship is the provision of resources (money, people, or equipment) by an organization directly to an event or activity in exchange for a direct association to the event or activity. Cornwell (1995) defines sponsorship-linked marketing as the orchestration and implementation of marketing activities for the purpose of building and communicating an association to a sponsorship. Promotion industry analysts have found sponsorship popular as a platform from which to build equity and gain affinity with target audiences (Smith, 1996).

Why Sponsorship? Two of the most common reasons why companies enter into sponsorship arrangements, are to increase brand awareness, and to establish, strengthen, or change brand image (Cornwell & Maignan, 1998). Sponsorship offers a platform to communicate emotionally with consumers who are passionate about event by "developing brand associations, creating brand exposure, demonstrating new products and services, and building the corporate image" (Penstone, 2001). Sponsorship makes it possible to segment a market according to interests or psychographics of target audience and thereby improves awareness by linking the brand to a highly valued event or organization (Crimmins & Horn, 1996). Research of Becker-Olsen and Hill (2006) showed that high-fit sponsorships (sponsor partner is perceived as congruent with sponsored event) can increase brand value, whereas low-fit (sponsor partner is perceived as incongruent with sponsored event) can dilute brand value. The ease of processing information is higher in congruent linkages, involving more understanding, which in turn leads to more favourable responses. Another factor that may well impact the image transfer is the consumers' product schema. Research of Batra and Homer (2004) reported that brand image beliefs will have a greater impact on brand preferences when consumer's preconceived associations fit the associations derived from the product category. Sponsorship research has also confirmed the importance of congruence or inconsistency on the relation between brand and event, exemplified by brand image beliefs (Crimmins & Horn, 1996; Gwinner & Eaton, 1999; Speed & Thomson, 2000). For instance, consumers had a more positive image of the sponsor if they perceived the sponsor's image and the image of the event sponsored as consistent (Close *et al.*, 2006).

How Consumers Respond to Sponsorship Messages? As the sponsorship literature has evolved, researchers have begun to use various theoretical approaches for explaining how consumers respond to sponsorship messages. Examination of cognitive processes has been a central part of this inquiry. Several studies have set forth either schema theory or congruence as an explanation of how consumers respond to event sponsorships (Crimmins & Horn, 1996; Gwinner & Eaton, 1999; Johar & Pham, 1999; McDaniel, 1999; Pham & Johar, 2001; Speed & Thompson, 2000). When consumers are exposed to information about a sponsorship (e.g., Mercedes-Benz's title sponsorship of PGA tournaments in the United States and South Africa), a schema-based explanation of consumer response suggests that information about the sponsor and event are accessed from memory and the new information is compared with the schema. These schemas are used to make judgments on the appropriateness (or inappropriateness) of a product and event presented together via sponsorship. Results from the above-mentioned studies concur that consumers who perceive fit or relatedness between sponsor and event generally have more positive responses to a sponsorship, including sponsor recognition (Johar & Pham, 1999; Pham & Johar, 2001), image transfer from event to sponsor (Gwinner & Eaton, 1999), and favorability toward sponsor (Speed & Thompson, 2000).

The existing literature includes many research studies measuring the effect of sponsorship involvement on the cognitive, affective and conative dimensions of consumer behaviour. These dimensions of consumer behaviour also represent the constituents of Consumer Based Brand Equity, which is composed of brand awareness and associations, perceived quality and brand loyalty (Yoo & Donthu, 2001). The results of studies measuring the effect of sponsorship involvement on the cognitive dimension of consumer behaviour have shown that sponsorship activities facilitate the creation of some familiarity towards the sponsors and affect recognition, awareness and the recall of brands (Cuneen & Hannan, 1993; Rajaretnam,1994; Hansen & Scotwin, 1995; Lardinoit & Derbaix, 2001; Barros, Barros, Santos & Chadwick, 2007;

Wakefield, Olsen & Cornwell , 2007; Rowley & Williams, 2008 ; Boshoff & Gerber, 2008) . Sponsorship involvement also exerts positive impacts on brand associations (Javalgi *et al.*, 1994; d'Astaus & Bitz, 1995; Roy & Cornwell, 1999; Rifon, Choi, Trimble, & Li, 2001; Dean, 1999, 2002).

Several research studies have found that the primary objectives of many sponsors are to increase brand awareness and to enhance brand and/or corporate image (Cornwell *et al.*, 2001; Gilbert, 1988). Sponsorships serve as brand-building tools because they are effective in leveraging secondary brand associations (Keller, 2002). A possible outcome of brand associations that arise from event associations is an event-to-sponsor image transfer first suggested by Gwinner (1997). The key to event marketing is no different than any other promotional activity: to increase the awareness of a company or product name; i.e. recall, and to build loyalty with a specific target audience, i.e. preference.Thus brand awareness is related positively to the event sponsorship campaigns used for the brand. Similarly, brand associations are related positively to the event sponsorship campaigns used for the brand.

Previous research suggests that event sponsorship may increase both perceived brand superiority (Crimmins & Horn, 1996) and corporate image (Stipp & Schiavone, 1996). According to Dean (1999), once a link between the sponsoring company and the event has been created and feelings of goodwill toward the event have resulted in feelings of goodwill toward the sponsor, a "halo effect" might then suggest to consumers that the sponsor's products are superior to its competitors. Perceived quality of a brand is thus related positively to the event sponsorship campaigns used for the brand.

Sponsorship is far more than a device to build awareness and goodwill. It can inspire customer loyalty or deliver an emotion-laden brand experience to target customers (Cliffe, 2004). About 48 percent of NASCAR fans said they would almost always purchase a sponsor's product over that of a closely priced competitor, and 42 percent said they actually switched brands when a manufacturer became a race sponsor (Crimmins & Horn, 1996). Bloxham (1998) notes that sponsorship of TV programs offers suppliers of goods and services the potential to strengthen brand loyalty and brand positioning among viewers. Brand loyalty is thus related positively to the event sponsorship campaigns used for the brand.

CHAPTER 3

CONCEPTUAL FRAMEWORK & HYPOTHESES DEVELOPMENT

The objective of this chapter is to examine and integrate concepts and research findiugs relevant to brand equity, its dimensions & marketing efforts and to propose research hypotheses. The intent is to document support for the choice of the theoretical framework used in the present study of how marketing efforts relate to brand equity formation. This chapter begins with theoretical perspective and a discussion about a conceptual framework of brand equity formation process. And concludes with a review of literature relevant to the relationships among the constructs and a discussion of the proposed research hypotheses.

3.1THEORETICAL PERSPECTIVE

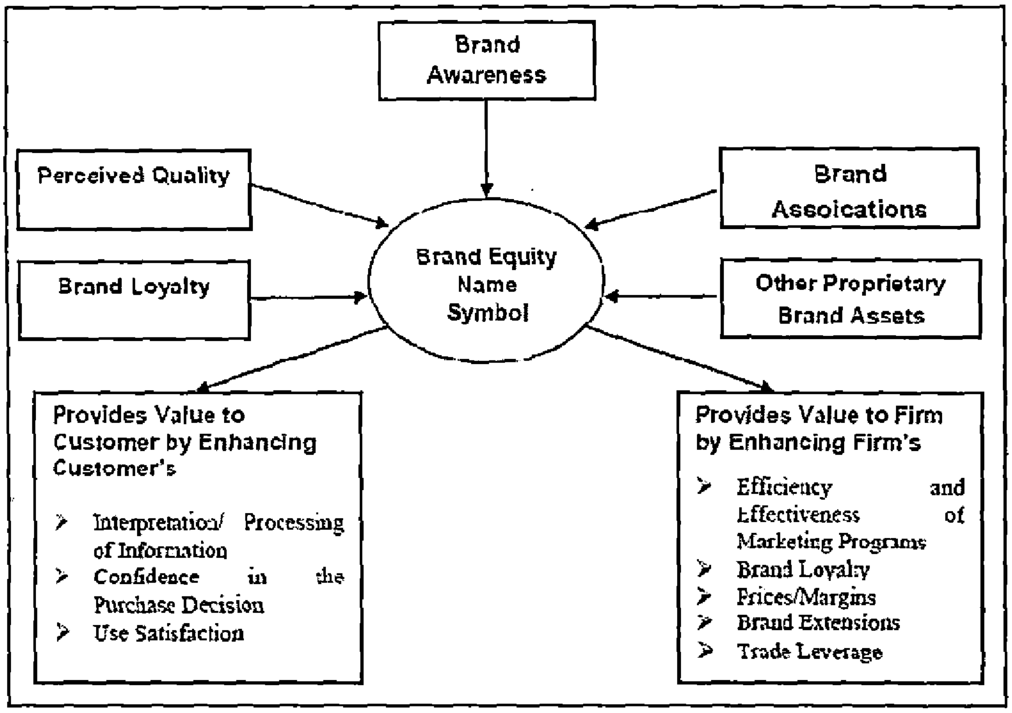
While some attempt has been made to examine the various functions and meanings attached to fashion brands within the literature, little consideration has been given to the processes by which fashion brands acquire or are engendered with such significance. From the generic literature related to brand creation and development, it is possible to identify that successful brands require significant resource investment and careful management of marketing mix elements (de Chernatony and McDonald, 1992; Doyle, 1989). Like most advanced, consumer-market products, there is little to functionally differentiate the fashion product, and as such, fashion brand identity and differentiation is founded on the creation of a distinct visual "brand surround." This "brand surround" is developed through the adoption of a distinctive brand name, an array of advertising images reflecting the values of the brand and the target customer group, personality endorsement, product packaging, as well as through the promotional activities of fashion shows and print editorial.

An integral element of the development of fashion brand positioning is the store environment (Moore and Leroy, 1995). Through the control of visual merchandising and the use of innovative store design and atmospherics, many fashion houses have been able to generate a distinct brand identity that can be experienced by the customer and which complements their corporate stance. For example, the understated environment of an Armani store, the opulent elegance of a Gucci outlet, and the chaotic interior at John Paul Gaultier, all reflect, with an immediacy, the values integral to these brands.

In order to generate meaningful research results in examining Indian consumer attitudes toward the marketing strategies of apparel multinationals, proposed theoretical frameworks and findings from previous studies were analyzed and a modified model was developed.

Aaker (1991) formulated the proposal of brand equity, defined as a set of assets and liabilities linked to a brand that create value for both customers and the firm (see Figure 3.1). The set of assets and liabilities could be usefully grouped into five categories: brand loyalty, brand awareness, perceived quality, brand association, and other brand proprietary assets. As the basis of brand equity, they are called the brand equity dimensions. Aaker (1991, 1996b) also suggests that each brand equity dimension can be achieved by a variety of marketing strategies.

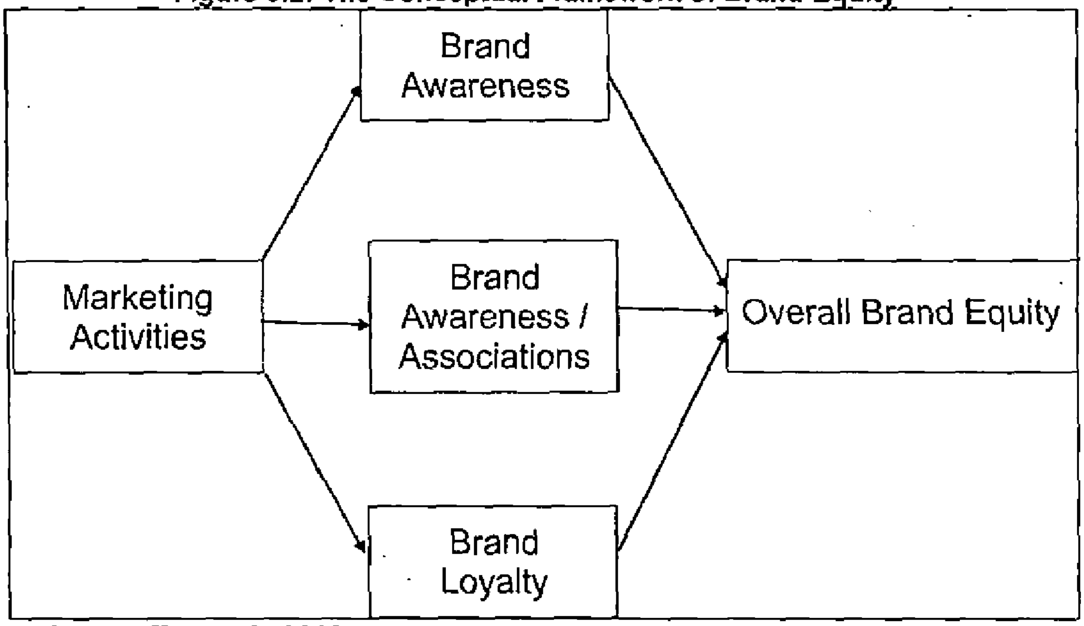
Fig. 3.1: Aaker's Brand Equity Model



Source: Aaker, 1991

Based on Aaker's concept, Yoo *et al.* (2000) created the brand equity creation process model to systematically examine the relationship among marketing efforts, brand equity dimensions, and brand equity. Their model was an extension of Aaker's proposal that indicated marketing activities have significant effects on brand equity dimensions, which in turn create and strengthen the equity. Therefore, the relationship between marketing activities and brand equity is mediated by these dimensions. It was also assumed that significant relationships exist among the dimensions themselves. Yoo *et al.*'s model was built based on the following conceptual framework of brand equity (Figure 3.2). As one of the first studies of its kind, this framework provides a good starting point for further research on the linkage between marketing activities and brand equity.

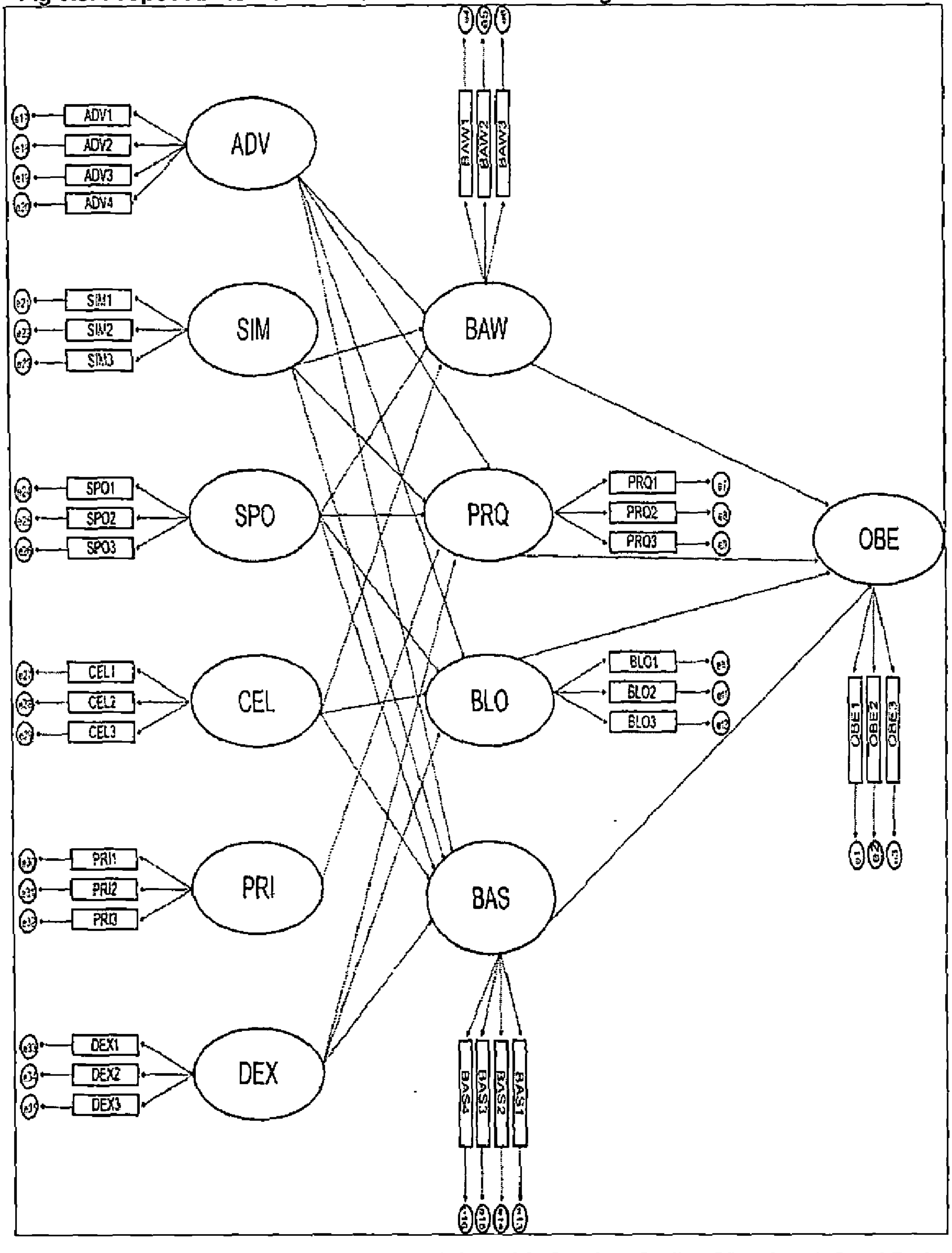
Figure 3.2: The Conceptual Framework of Brand Equity



Source: Yoo et al., 2000

Since brand equity is rooted in these four dimensions, brand management should capitalize on the current strength of the dimensions. Brand-leveraging strategy that ignores the roots of brand equity may jeopardize the brand and its extensions (Aaker, 1997). Therefore, the relationships between the select marketing efforts and the four brand equity dimensions are crucial in creating brand equity. Since the Brand Equity Creation Process Model in Yoo *et al.* (2000) has been modified and expanded in this study to explore the relationship of marketing activities to brand equity in the Indian market, the relationship between marketing efforts and brand equity dimensions is the primary focus of this research.

Fig 3.3: Proposed Model to Evaluate Effect of Marketing Activities on BE Dimensions



Key: BAW: Brand Awareness; BAS: Brand Association; PRQ: Perceived Quality; OBE: Overall Brand Equity; BLO: Brand Loyalty; SPO: Event Sponsorship; CEL:Celebrity Endorsements ; ADV: Advertising Expenditure; DEX: Distribution Exclusivity; PRI: Price; SIM: Store Image

When Yoo *et al.*'s Brand Equity Creation Process Model was applied in this study, more marketing activities were added to enhance the explanatory power of the brand equity phenomenon. In addition, more detailed marketing activities (e.g., Print, TV, and Web advertising) were examined in order to provide more insightful suggestions for marketers. The complete proposed model is depicted in Fig 3.3.

3.2 HYPOTHESES DEVELOPMENT

By strengthening the dimensions of brand equity, we can generate brand equity. Understanding the brand equity phenomenon properly requires tapping the full scope of brand equity, including awareness, perceived quality, loyalty, and associations (Aaker 1991). Researchers suggest that marketing decisions and market conditions affect brand equity. For example, Simon and Sullivan (1993) list advertising expenditures, sales force and marketing research expenditures, age of the brand, advertising share, order of entry, and product portfolio as sources of brand equity. Other marketing activities such as the use of public relations and packages; slogans or jingles, symbols, (Aaker 1991); company image, country of origin, and promotional events (Keller 1993) have also been proposed. For this study, we focus on a few key elements of the marketing mix. In particular, we select price, store image, distribution exclusivity, advertising expenditures, event sponsorships and celebrity endorsements as a representative set of marketing programs. Although these variables do not cover the full domain of marketing, they represent typical marketing actions. Knowing how certain marketing activities contribute to or hurt brand equity will enable marketing managers to develop effective marketing plans. Managers need to promote brand-building activities and decrease or avoid brand-hurting activities.

The main purpose of our study is to investigate the relationships between marketing mix elements and brand equity. On the basis of the literature, we hypothesized directional relationships among marketing efforts, the dimensions of brand equity, and brand equity. The next sections of this chapter focus on development of hypotheses. First we develop four hypothesis for relationship between brand equity & its dimensions. Subsequently, we propose hypothesis for relationship between select marketing efforts, brand equity & brand equity dimensions.

Relationship Between Brand Equity & Brand Equity Dimensions

Monroe (1990) indicated that perceived quality will positively influence purchase intention through perceived value i.e. perceived quality and purchase intention are positively related. High perceived quality means that, through the long-term experience related to the brand, consumers recognize the differentiation and superiority of the brand. Zeithaml (1988) identified perceived quality as a component of brand value; therefore, high perceived quality would drive a consumer to choose the brand rather than other competing brands. Therefore, to the degree that brand quality is perceived by consumers, brand equity will increase. Based on literature review, this study examines the following hypothesis

H_{01a}: The level of brand equity is related positively to the extent to which brand quality is evident in the product.

Brand loyalty makes consumers purchase a brand routinely and resist switching to another brand. Hence, to the extent that consumers are loyal to the brand, brand equity will increase. Aaker (1992) too suggested that brand loyalty leads to brand equity, which leads to business profitability. Brand loyalty makes a critically valuable contribution to competitive advantage. Marketing costs render it expensive to introduce new customers and loyal customers are less likely to switch brands. High brand loyalty is an asset that lends itself to extension, high market share, high return on investment and ultimately high brand equity (Gounaris & Stathakopoulos, 2004). Loyalty to a particular brand refers to a characteristic of customers who will only buy products of that brand rather than switching to an alternative brand (Lin *et al.*, 2000). Brand loyalty is a biased behavioral response expressed over time with respect to a brand from a set of brands. It is a psychological decision-making, evaluative process, which incorporates both an attitudinal and behavioral aspect to describe consumers' overall buying behavior within a product class (Jacoby & Chestnut, 1978; Jacoby & Kyner, 1973). In general terms, the focus is placed on consumers' preference to buy a brand name. As the number of loyal consumers increase, this becomes a company asset, because brand loyalty is a major determinant of brand equity, which is capitalized through brand extensions (Chaudhuri, 1995; Dekimpe *et al.*, 1997; Rundle-Thiele & Bennett, 2001). Hence, to the extent that consumers are loyal to the brand, brand equity will increase. Based on literature review, this study examines the following hypothesis:

H_{01b}: The level of brand equity is related positively to the extent to which brand loyalty is evident in the product.

Brand awareness is one of major determinants of brand equity. It refers to the ability of a potential consumer to recall and recognize the brand, linking the brand with its corresponding product class (Aaker, 1991). The level of brand awareness lies in a continuum, with brand recognition being the lowest level and the first named brand with unaided recall being the highest level. It is important for the potential consumers to be aware of a product so that it can become one of the purchasing choices. This is due to the fact that the product needs to enter the awareness set before it comes to the consideration set and an increase in brand awareness is conducive to a higher chance of entering the later set (Nedungadi, 1990). In this way, brands with higher level of awareness would be more likely to be purchased (Yasin, Noor , & Osman, 2007). This could probably explain why consumers tend to buy a recognizable brand rather than an unfamiliar one (Hoyer & Brown, 1990; Macdonald & Sharp, 2000). Based on literature review, this study examines the following hypothesis

> **H_{01c}:** The level of brand equity is related positively to the extent to which brand awareness is evident in the product.

Brand associations are complicated and connected to one another, and consist of multiple ideas, episodes, instances, and facts that establish a solid network of brand knowledge. The associations are stronger when they are based on many experiences or exposures to communications, rather than a few (Aaker, 1991; Alba & Hutchinson, 1987). Brand associations, which result in high brand awareness, are positively related to brand equity because they can be a signal of quality and commitment and they help a buyer consider the brand at the point of purchase, which leads to a favorable behavior for the brand. Based on literature review, this study examines the following hypothesis

> **H_{01d}:** The level of brand equity is related positively to the extent to which brand association(s) is/are evident in the product.

Relationship Between Marketing Efforts & Brand Equity Dimensions

In this section, we discuss the effect of select marketing efforts i.e. price, store image, distribution exclusivity, advertising expenditure, celebrity endorsements, event sponsorships on four brand equity dimensions.

Relationship Between Price & Brand Equity Dimensions

There seems to be no significant relationship between price and the other brand equity dimensions, brand loyalty and brand associations. Although price implies high quality, it does not create loyalty to the brand per se. Neither loyal nor non-loyal consumers use price as an evaluative criterion of the product, and they are not influenced by price considerations (Helsen & Schmittlein 1994). Brand-loyal consumers are willing to pay the full price for their favorite brand because they are less price sensitive than brand-nonloyal consumers are (Yoo *et al.*, 2000). Thus, changing the price level alone does not affect brand loyalty. Similarly, there seems to be no directional relationship between price and brand associations, because both low and high prices can be equally strongly linked to the brand in memory for the benefits that each brings to consumers. A low-priced product would give transaction utility (i.e., paying less than the consumer's internal reference price), whereas a high-priced product would give high-quality image or acquisition utility, leading to reduced consumer risk (Thaler, 1985). Either a low—or high—price strategy would help consumers be equally aware of the product so neither is there a significant and directional relationship between price and brand awareness. Based on these findings from literature review, the following hypothesis about the relationship between price and brand equity dimensions is put forth:

> H_{02a}: The perceived quality of a brand & price is related positively to the extent to which the price of the brand is perceived to be high.

Relationship between Store Image & Brand Equity Dimensions

Store image appears to have no relationship with loyalty to a specific brand. Consumers perceive good store image when their self-concept is congruent with store image (Sirgy, 1985). Thus, if the store image does not match the perceived image of the product, consumers would not be impressed enough to show loyalty to the product. In other words, only when there is consistency between product and store images will consumers be loyal to the product that is available in the store.

High quality or high reputation stores will result in high brand awareness by signaling high quality brands and stimulating word of mouth communication (Rao & Monroe, 1989; Zeithaml, 1988). Dodds *et al.* (1991) found significant positive effects of store image on perceived quality. Store name may be an important extrinsic cue to perceived quality and price. For example, quality and price of the same brand would be differently perceived depending on which retailer (high quality or low quality) offered the brand. The following hypotheses about the relationship between store image and dimensions of brand equity are posited:

H_{02b-1}: Perceived quality of a brand is related positively to the extent to which the brand is distributed through stores with a good image.

H_{02b-2}: Brand awareness is related positively to the extent to which the brand is distributed through stores with a good image.

H_{02b-3}: Brand association is related positively to the extent to which the brand is distributed through stores with a good image.

Relationship between Distribution Exclusivity & Brand Equity Dimensions: Frazier & Lassar (1996) showed that manufacturers of brands positioned near the low end of the quality continuum are expected to rely on numerous retailers in each trade area to promote convenient and competitive pricing for their customers. In contrast, the higher the manufacturers position their brands on quality, the lower the level of distribution intensity. Thus low levels of distribution intensity influence the perceived quality of a brand positively. Goods that are scarce are perceived of a higher value than goods that are not, they command respect and prestige (Vigneron & Johnson, 1999). Thus low levels of distribution intensity influence the brand associations of a brand positively. Research reveals that a perceived limited supply of products enhances the consumers' value and preference for a brand (Verhallen, 1982; Lynn, 1991). Thus low levels of distribution intensity influence the brand loyalty positively. Items that are in limited supply have high value, while those readily available are less desirable. Rare items command respect and prestige (Solomon, 1994). In addition, scarcity of products has a even greater effect on demand if people also perceive the product as unique, popular and expensive (Verhallen & Robben, 1994). Another reason to consume luxuries for differentiation purposes can be found in wanting to be unique. To increase one's status the consumption of goods that are rare or scarce is preferable. This behaviour is known as the snob effect. Status seeking consumers will stop buying goods when they consider them too popular or too widely consumed by the masses. These arguments are consistent with psychologists who observe situations through which individuals express a "need for uniqueness" (Snyder & Fromkin, 1977). This need is the outcome of a social comparison process (Festinger, 1954), where an individual's desire is to be perceived as different from other individuals. Based on this discussion, the following hypotheses about the relationship between distribution (exclusivity) and dimensions of brand equity are posited:

H_{02c-1}: Perceived quality is related positively to the extent to which the brand is available in few stores.

H_{02c-2}: Brand loyalty is related positively to the extent to which the brand is available in few stores.

H_{02c-3}: Brand associations are related positively to the extent to which the brand is available in few stores.

Relationship Between Celebrity Endorsement & Brand Equity Dimensions:

Although marketers can invoke a variety of tools to develop and maintain appropriate associations, celebrity endorsement represents one way in which meanings can be transferred to brands (McCracken, 1989) and become a powerful mechanism for managing brand equity. Advertisers spend great sums of money to have celebrities promoting their products/services with the expectation that consumers will react positively to the celebrity's association with a certain brand. Consumers might say to themselves "If she uses it, it must be good" and "If I use it, I will be like her" (Belch & Belch, 2001). In the long term, this way of thinking may lead to an increase in the sales and thereafter the brand equity. Brand equity (Riezebos, Kist, & Koostra, 2003) indicates the intrinsic value in a well-known brand name. The amount of value that is referred to in a brand name depends on consumer's perception of the brand domination and through social esteem that is provided when using it as well as the consumers trust and identification with the brand. Used appropriately, celebrity endorsers can also serve a valuable role in developing brand equity and enhancing a brand's competitive position (Till, 1998) Celebrity endorsement thus affects the brand equity positively. Nevertheless, although celebrity endorsement can significantly improve brand image, there is little research suggesting that it has a significant effect on brand loyalty. Based on the above literature and discussion, the following hypotheses about the relationship between celebrity endorsement and brand equity dimensions are put forth:

H_{02d-1}: Perceived quality of a brand is related positively to the extent to which celebrity endorsement is used for the brand.

H_{02d-2}: Brand awareness is related positively to the extent to which celebrity endorsement is used for the brand.

H_{02d-3}: Brand association is related positively to the extent to which celebrity endorsement is used for the brand.

Relationship between Event Sponsorship & Brand Equity Dimensions:

Keller (2002) suggested that sponsored events can contribute to brand equity by increasing the awareness of the company or product name, as well as by creating new associations and improving the strength, favorability, and uniqueness of existing associations. From a consumer perspective, the duration of sponsorship association might influence the strength of brand associations in memory (Johar & Pham, 1999; Keller, 1993). Brand equity is related positively to the event sponsorship campaigns used for the brand. Based on the review of litterature, the following hypotheses about the relationship between event sponsorship and dimensions of brand equity are posited here:

H_{02e-1}: Perceived quality of a brand is related positively to the extent to which event sponsorship campaigns are used for the brand.

H_{02e-2}: Brand loyalty is related positively to the extent to which event sponsorship campaigns are used for the brand.

H_{02e-3}: Brand awareness is related positively to the extent to which event sponsorship campaigns are used for the brand.

H_{02e-4}: Brand associations are related positively to the extent to which event sponsorship campaigns are used for the brand.

Relationship between Advertising Expenditure & Brand Equity Dimensions

Brand equity can be influenced by advertising in several ways. Awareness of the brand can be created and increase the possibility that the brand is included in the consumer's mind. Moreover, when these brand associations get stored in the consumers accessible memory, it can later lead to behavioural actions. The usage experience can be influenced through the use of advertising and it can also affect the perceived quality of a brand (Walgren *et al.*, 1995). Based on the above analysis, the following hypotheses about the relationship between advertising and brand equity dimensions are put forth:

$H_{02f\text{-}1}$: Perceived quality of a brand is related positively to the extent to which advertising is invested for the brand.

$H_{02f\text{-}2}$: Brand loyalty is related positively to the extent to which advertising is invested for the brand.

$H_{02f\text{-}3}$: Brand awareness is related positively to the extent to which advertising is invested for the brand.

$H_{02f\text{-}4}$: Brand association is related positively to the extent to which advertising is invested for the brand.

CHAPTER 4

RESEARCH METHODOLOGY

The purpose of this chapter is to detail the methodological approach of the study and, in so doing, present the findings from the pretest of the instrument developed for data collection, along with data collection procedures. There are three basic types of research designs. They include exploratory, descriptive, and causal designs used to collect primary data and create data structures and information (Hair, Bush, & Ortinau, 2003). The research methodology and methods for this research were chosen in order to successfully achieve the research objectives. The justification of choices and uses will be presented in this chapter. The rationale will be discussed and explained in terms of research process, design, development of the instrument, pilot study, sample and data collection, and data analysis. The developments of the relevant research instrument along with outline of problems encountered in the survey have also been discussed.

4.1 KEY RESEARCH PARADIGMS

With a view to finding out the underlying principles of certain phenomenon, research is required. In terms of the science of knowledge acquisition, epistemology is about the science of knowing, whereas methodology is acknowledged to be the science of finding out (Babbie, 2004). During the course of consumer behaviour research, data are gathered, recorded and analyzed in a systematic and objective manner so as to apprehend and foresee how consumers feel, think and behave (Arnould *et al.*, 2004). The scientific method in social science is developed from the key methodological approaches of positivism and empiricism. Fundamental to the positivist approach is the idea that the study of the social world can use the tools of science in order to create understandings which are verifiable. Empiricism gives primacy to the observable world and relies on observable data from which to deduce patterns which may form the basis of research questions, hypotheses and problems. Logical positivists reacted against the prominence of metaphysical schools of thought in the late nineteenth and early twentieth centuries. They argued that metaphysical interpretations of the social world contain little that could be verified through scientific scrutiny. The scientific method therefore aims to weed out those interpretations of the social world which are unable to cope with the scientific logic so as to generate an understanding of the social world in which quantifiable 'progress' is possible♠.

When undertaking research, it is important to consider different research paradigms and matters of ontology and epistemology. Since these parameters describe perceptions, beliefs, assumptions and the nature of reality and truth (knowledge of that reality), they can influence the way in which the research is undertaken, from design to conclusions, and it is therefore important to understand and discuss these aspects in order that approaches congruent to the nature and aims of the particular inquiry are adopted, and to ensure that researcher biases are understood, exposed, and minimised. Whilst James and Vinnicombe (2002) caution that we all have inherent preferences that are likely to shape our research designs, Blaikie (2000) describes these aspects as part of a series of choices that the researcher must consider and he shows the alignment that must connect these choices back to the original research problem. If this is not achieved, methods incompatible with the researcher's stance may be adopted, with the result that the final work will be undermined through lack of coherence. Blaikie (1993) argues that these aspects are highly relevant to Social Science since the humanistic element introduces a component of 'free will' that adds a complexity beyond that seen in the natural sciences. Hatch and Cunliffe (2006) draw attention to the fact that different paradigms 'encourage researchers to study phenomena in different ways', going on to describe a number of organisational phenomena from three different perspectives, thus highlighting how different kinds of knowledge may be derived through observing the same phenomena from different philosophical perspectives.

Key paradigms of research are briefly discussed in the subsequent section. These paradigms are prevalent in management research, & they also effectively form the 'poles' from which other paradigms are developed or derived (Flower, 2009). Often, different names are used to describe apparently similar paradigms; in part this is as a result of similar approaches being developed in parallel across different branches of the social sciences.

♠ http://www.bl.uk/reshelp/findhelpsubject/socsci/topbib/quantmethods/quantitative.pdf

- *Positivist:* The positivist position is derived from that of natural science and is characterised by the testing of hypotheses developed from existing theory (hence deductive or theory testing) through measurement of observable social realities. This position presumes the social world exists objectively and externally, that knowledge is valid only if it is based on observations of this external reality and that universal or general laws exist or that theoretical models can be developed that are generalisable, can explain cause and effect relationships, and which lend themselves to predicting outcomes. Positivism is based upon values of reason, truth and validity and there is a focus purely on facts, gathered through direct observation and experience and measured empirically using quantitative methods – surveys and experiments - and statistical analysis (Blaikie, 1993; Saunders, Lewis & Thornhill, 2007; Eriksson & Kovalainen, 2008; Easterby-Smith, Thorpe, & Jackson, 2008; Hatch & Cunliffe, 2006). Hatch and Cunliffe (2006) relate this to the organisational context, stating that positivists assume that what truly happens in organisations can only be discovered through categorisation and scientific measurement of the behaviour of people and systems and that language is truly representative of the reality.
- *Interpretivist / Constructivist:* This position is described by Hatch and Cunliffe (2006) as anti-positivist and by Blaikie (1993) as post-positivist since it is contended that there is a fundamental difference between the subject matters of natural and social sciences. In the social world it is argued that individuals and groups make sense of situations based upon their individual experience, memories and expectations. Meaning therefore is constructed and (over time) constantly re-constructed through experience resulting in many differing interpretations. It is these multiple interpretations that create a social reality in which people act. Under this paradigm, therefore, it is seen as important to discover and understand these meanings and the contextual factors that influence, determine and affect the interpretations reached by different individuals. Intepretivists consider that there are multiple realities (Denzin & Lincoln, 2003). Since 'all knowledge is relative to the knower', interpretivists aim to work alongside others as they make sense of, draw meaning from and create their realities in order to understand their points of view, and to interpret these experiences in the context of the researcher's academic experience (Hatch & Cunliffe, 2006), and hence is inductive or theory building.

Quantitative and Qualitative Research: Two major research methodologies are quantitative and qualitative, however they may also be called deductive and inductive approaches or positivistic and phenomenological paradigms depending on the author (Saunders *et al.,* 2007). Each of the methods has advantages and disadvantages, therefore it merely depends on the research question and the outcome expected to be gained from the research as none is more superior to the other. It is natural for uncontrollable errors and limitations to occur within the research, though preventative measures should be taken.

Qualitative research uses a naturalistic approach that seeks to understand phenomena in context-specific settings, such as real world setting where the researcher does not attempt to manipulate the phenomenon of interest (Patton, 1990). Qualitative research, broadly defined, means any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification (Strauss & Corbin,

1990) and instead, the kind of research that produces findings arrived from real-world settings where the phenomenon of interest unfold naturally (Patton, 2001). Unlike quantitative researchers who seek causal determination, prediction, and generalization of findings, qualitative researchers seek instead illumination, understanding, and extrapolation to similar situations (Hoepfl, 1997). As for qualitative research, it is more likely to look into people's in-depth feelings, for example, attitude (Kirk & Miller, 1986). Unlike quantitative research, which uses ad hoc procedures to define and measure variables (Silverman, 1975), qualitative research tends to focus on describing the process of how we define and measure variables in everyday life (Silverman, 2000). Qualitative analysis, however, suffers from the problem of 'anecdotalism' in which it just narrates some examples of phenomenon without taking less clear data into account (Silverman, 1989). Besides, the reliability of tape-recorded and transcribed data is argued by some to be weakened owing to the possibility of missing some trivial but crucial pauses and overlaps (Silverman, 2000).

Qualitative analysis results in a different type of knowledge than does quantitative inquiry because one party argues from the underlying philosophical nature of each paradigm, enjoying detailed interviewing and the other focuses on the apparent compatibility of the research methods, "enjoying the rewards of both numbers and words" (Glesne & Peshkin, 1992). This means such methods like interviews and observations are dominant in the naturalist (interpretive) paradigm and supplementary in the positive paradigm, where the use of survey serves in opposite order. Although it has been claimed that quantitative researchers attempt to disassociate themselves as much as possible from the research process, qualitative researchers have come to embrace their involvement and role within the research. Patton supports the notion of researcher's involvement and immersion into the research by discussing that the real world are subject to change and therefore, a qualitative researcher should be present during the changes to record an event after and before the change occurs. However, both qualitative and quantitative researchers need to test and demonstrate that their studies are credible. While the credibility in quantitative research depends on instrument construction, in qualitative research, "the researcher is the instrument" (Patton, 2001). Thus, it seems when quantitative researchers speak of research validity and reliability, they are usually referring to a research that is credible while the credibility of a qualitative research depends on the ability and effort of the researcher.

Although reliability and validity are treated separately in quantitative studies, these terms are not viewed separately in qualitative research. Instead, terminology that encompasses both, such as credibility, transferability, and trustworthiness is used.

On the other hand, a quantitative approach can be seen as numerical using various ways to measure variables. Researchers who use logical positivism or quantitative research employ experimental methods and quantitative measures to test hypothetical generalizations (Hoepfl, 1997), and they also emphasize the measurement and analysis of causal relationships between variables (Denzin & Lincoln, 1998). Quantitative research allows the researcher to familiarize him/herself with the problem or concept to be studied, and perhaps generate hypotheses to be tested. In this paradigm: (1) the emphasis is on facts and causes of behaviour , (2) the information is in the form of numbers that can be quantified and summarized, (3) the mathematical process is the norm for analysing the numeric data and (4) the final result is expressed in statistical terminologies. Generally, quantitative research supported by the positivist or scientific paradigm, leads us to regard the world as made up of observable, measurable facts (Glesne & Peshkin, 1992).

Many researchers have supported the idea of using a multi-method approach in a marketing research study. Flick (2002) & Carson, Gilmore, Perry and Gronhaug (2001), are just a few to mention and they further claimed that a combination of qualitative and quantitative approaches can lead to interesting and exciting explorations within a research study. The integration of these two methods should also be seen as complementary rather than rivalry.

This study will adopt a *positivist* position as the study intends to test pre-existing theory, for example through the use of hypotheses and will rely upon quantitative data. The quantitative research is mainly in the form of a questionnaire or survey & has been employed in this study, which refers to a study based on collected data that can be expressed in numbers to be estimated later. The reason for this choice of method is based on the fact that many companies claim themselves to be consumer-driven, but still fail when conducting a marketing research, this because they are only running focus groups, sending out questionnaires, and analysing sales data (Gustafsson, Herrmann, & Huber, 2001). However, the main reason for this failure is basically that the company does not understand the consumer needs and has a lack of information about the market (Iggland, 1989). From the perspective of the purpose of this thesis, the author is aiming to identify the important factors influencing brand equity from consumers' point of view. Therefore, a quantitative approach will provide this thesis with better results that will lead to the process of drawing general conclusions and to get an overall picture among the larger sample (Gustafsson *et al.*, 2001).

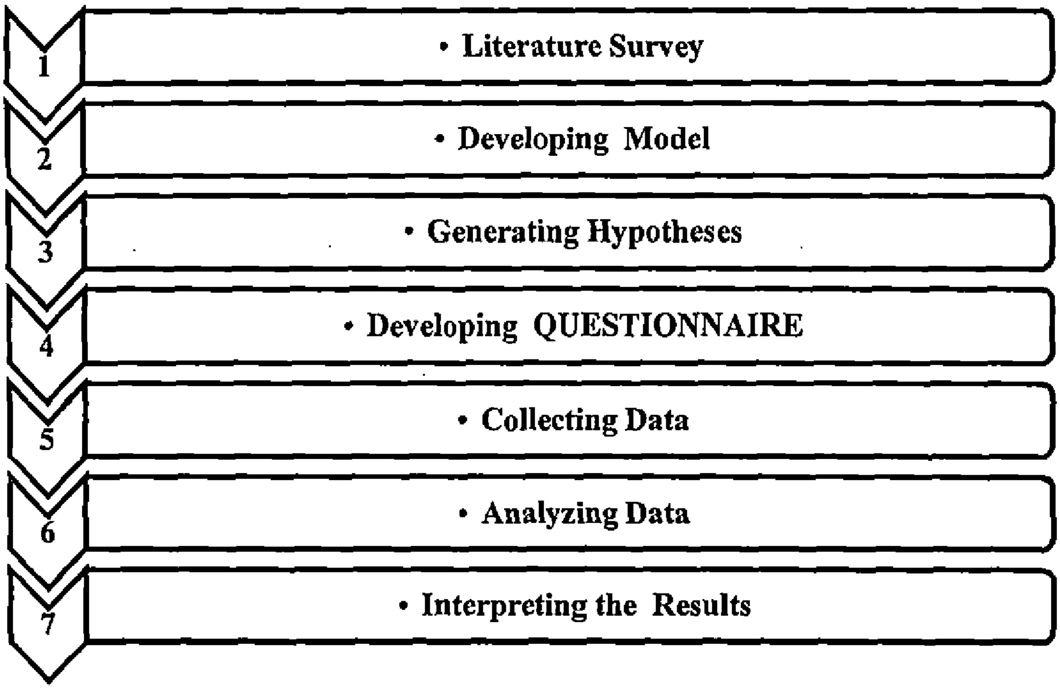
4.2 RESEARCH PROCESS

This research was conducted as follows:

1) Information was obtained through literature survey
2) Model developed incorporating relevant factors
3) Hypotheses generated to examine validity of the model
4) Questionnaire developed as a survey tool to collect data.
5) Analysis of data obtained through the questionnaire
6) Interpreting the meaning of the results of the data analyzed and arriving at conclusions

This process is depicted in Figure 4.1

Fig 4.1: Schematic Diagram for Research Process



4.3 RESEARCH DESIGN

The research design is the step aimed at designing the research study in such a way that the essential data can be gathered and analysed to arrive at a solution. The following are the design considerations for this research in accordance with the guidelines suggested by Sekaran (2003).

1. **The Purpose of the Study:** The purpose was hypotheses testing in nature because usually studies relating to hypotheses testing explain the nature of certain relationships; establish the differences among groups or the independence of two or more factors in a situation. In other words, hypotheses testing is undertaken to explain the variance in the dependent variable. Hypotheses testing offers an enhanced understanding of the relationships that exist among variables, and could also establish cause and effect relationships.
2. **The Study Setting:** This study was conducted in non-contrived settings, whereas rigorous causal studies are done in contrived lab settings.
3. **Unit of Analysis:** The unit of analysis was an individual who has purchased the luxury brand during last two years.
4. **Time Horizon of the Study:** This research study is a cross-sectional study because it aimed to collect data just once, perhaps over a period of months in order to answer the research objectives.
5. **Data Collection:** It refers to the process of collecting data associated with variables in the hypotheses being considered for the study. In the present study, a structured closed-ended questionnaire designed specifically for the study was personally administered by the researcher on the respondents in five cities i.e. New Delhi, Gurgaon, Faridabad, Noida & Chandigarh.
6. **Data Analysis:** This step involves analyses of data statistically to see if the hypotheses can be substantiated.

4.4 SURVEY RESEARCH METHODOLOGY

Any subject or topic that needs detailed study and research to find out some results also needs a well structured methodology to achieve those objectives. Methodology in simple terms can be compared to a roadmap that takes the subject to the stated or desired objective. In the area of academic study, the methodology is the approach and the path through which the researcher gains insights about the topic of research and arrives at the findings. Seen in this light methodology is an integral part of any study where there is a necessity of knowing something about the topic, gathering information and facts and finding new insights about it that so that it will help in arriving at answers to the aims and objectives for which the research was undertaken. Methodology is the strategy, plan of action, process, or design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes (Crotty, 1998). Hussey and Hussey (1997) define methodology as the overall approach to the research process, from the theoretical underpinning to the collection and analysis of data, and also suggest that methodology is concerned with the following main issues: why you collected certain data, what data you collected, from where you collected it, when you collected it, how you collected it, and how you will analyse it.

4.4.1 Methodology Strategy

Among several methodologies viz. experimental research, survey research, ethnography, etc., the survey research methodology was considered to be the most appropriate for this research. It is concerned with drawing a sample of subjects from a population and studying this in order to make inferences about the population. In the case of a large population, only a sample of the whole population is used (Hussey & Hussey, 1997). This was the case for this study. In particular, this study was classified as an analytical survey where the main intention was to determine whether there exists any relationship between different variables. Because methodology is the process or design lying behind the choice and use of particular methods and linking to the desired outcomes (Crotty, 1998), it was therefore necessary to identify which methods should be used in the research. Methods are the various means or techniques or procedures used to gather and analyse data related to some research question or hypotheses (Crotty, 1998; Hussey & Hussey, 1997). Methods used in this research were categorised into two groups (1) questionnaire method which is the most important method used to collect primary data in the survey, and (2) different statistical methods - used to analyse data such as descriptive statistics, Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA) and Structural Equation Modelling.

Administering questionnaire is one of the main data collection methods in survey research (Gay & Diehl, 1992; Sekaran, 2003). On the other hand, even though the primary data source for this research was questionnaire, it was often necessary to make use of other existing information viz. secondary data such as previous research (Ticehurst & Veal, 2000), obtained through the literature survey (Please see Chapter 2). Secondary data are data that already exist and do not have to be collected by the researcher (Sekaran, 2003).

4.4.2 Questionnaire Method

The notion of 'measuring' means to understand, say, educational issues by performing an operation called 'measurement' on the physical world by the observer (Crocker & Algina, 1986). Stevens (1946) defines measurement as the assignment of numerals to objects or events according to rules. From these definitions, one may perceive measurement as necessarily objective, quantitative and statistically relevant. Simply put, measurement can be about numbers, objective hard data. A quantitative researcher attempts to fragment and delimit phenomena into measurable or common categories that can be applied to all of the subjects or wider and similar situations (Winter, 2000). In his/her attempts, the researcher's methods involve the "use of standardised measures so that the varying perspectives and experiences of people can be fit into a limited number of predetermined response categories to which number are assigned" (Patton, 2001). For example, a quantitative researcher may prepare a list of behaviour to be checked or rated by an observer using a predetermined schedule or numbers (scales) as an instrument in his/her method of research. Thus, a quantitative researcher needs to construct an instrument to be administered in standardised manner according to predetermined procedures.

A questionnaire is a pre-formulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives (Sekaran, 2003). The rationales behind the use of questionnaire method as a major survey tool in this research are:

1) It was used because it is an efficient data collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest. Field studies, comparative surveys and experimental designs often use questionnaires to measure the variables of interest (Sekaran, 2003).
2) It was used because quantified information is required concerning a specific population (Ticehurst & Veal, 2000).

Moreover, the advantage of the questionnaire method is that administering questionnaires to large numbers of individuals simultaneously is less expensive and less time consuming than other methods. It also does not require as much skill to administer a questionnaire (Sekaran, 2003). As already mentioned, questionnaire technique was used as the main technique to collect data for this study. It is to be noted that survey research methodology has been employed by previous researchers also in studies focusing on brand equity, for example, Cobb-Walgren *et al.* (1995); Rajh (2005); Yoo and Donthu (2001);Yoo *et al.* (2000), etc.

4.5 DEVELOPMENT OF THE QUESTIONNAIRE

Before going into the stage of questionnaire design, an extensive review of literature was carried out to develop a questionnaire for the present study. Prior to developing measurement instrument for conceptual constructs proposed in this study, an exhaustive search for existing developed scales in the literature was made. This study employed a structured closed ended questionnaire designed to collect primary data. We used a paper and pencil questionnaire instead of an online questionnaire to reduce the problems and limitations placed by an Internet-based questionnaire survey (Thompson, Surface, Martin, & Sanders, 2003).

4.5.1 Instrument & Measures

In attempting to shed light on a particular social issue it is important to ask one's research population questions in such a way as to elicit responses that can be credibly analysed. The design of questionnaires to be used in social surveys is therefore often thought to be complicated process requiring much deliberation. Questionnaire and survey design must take into account not only the range of potential variables which might impact upon the issue in question, but also human reactions which can affect and shape possible responses. For example, surveys which ask a respondent to reflect on a past situation must take into account the impact of memory effects on the responses elicited and thus on the subsequent analysis.

Oftentimes information gathered in the social sciences, marketing, medicine, and business, relative to attitudes, emotions, opinions, personalities, and descriptions of people's environment involves the use of Likert-type scales. As individuals attempt to quantify constructs which are not directly measurable they oftentimes use multiple-item scales and summated ratings to quantify the construct(s) of interest. The Likert scale's invention is attributed to Rensis Likert (1931), who described this technique for the assessment of attitudes. McIver and Carmines (1981) describe the Likert scale as a set of items, composed of approximately an equal number of favorable and unfavourable statements concerning the attitude object, is given to a group of subjects. They are asked to respond to each statement in terms of their own degree of agreement or disagreement. Typically, they are instructed to select one of five responses: strongly agree, agree, undecided, disagree, or strongly disagree. The specific responses to the items are combined so that individuals with the most favorable attitudes will have the highest scores while individuals with the least favorable (or unfavorable) attitudes will have the lowest scores. While not all summated scales are created according to Likert's specific procedures, all such scales share the basic logic associated with Likert scaling.

Spector (1992) identified four characteristics that make a scale a summated rating scale. First, a scale must contain multiple items. The use of *summated* in the name implies that multiple items will be combined or summed. Second, each individual item must measure something that has an underlying, quantitative measurement continuum. In other words, it measures a property of something that can vary quantitatively rather than qualitatively. An attitude, for example, can vary from being very favorable to being very unfavorable. Third, each item has no "right" answer, which makes the summated rating scale different from a multiple-choice test. Thus summated rating scales cannot be used to test for knowledge or ability. Finally, each item in a scale is a statement, and respondents are asked to give rating about each statement. This involves asking subjects to indicate which of several response choices best reflects their response to the item.

Nunnally and Bernstein (1994), McIver and Carmines (1981), and Spector (1992) discuss the reasons for using multi-item measures instead of a single item for measuring psychological attributes. They identify the following: First, individual items have considerable random measurement error, i.e. are unreliable. Nunnally and Bernstein (1994) state that measurement error averages out when individual scores are summed to obtain a total score. Second, an individual item can only categorize people into a relatively small number of groups. An individual item cannot discriminate among fine degrees of an attribute. For example, with a dichotomously scored item one can only distinguish between two levels of the attribute, i.e. they lack precision. Third, individual items lack scope. It is very unlikely that a single item can fully represent a complex theoretical concept or any specific attribute for that matter (McIver and Carmines, 1981). The most fundamental problem with single item measures is not merely that they tend to be less valid, less accurate, and less reliable than their multi-item equivalents. It is rather, that the social scientist rarely has sufficient information to estimate their measurement properties. Thus their degree of validity, accuracy, and reliability is often unknowable.

On the basis of items used in the literature and the definitions established in our research, we generated a pool of sample measures in accordance with the suggestions of Tull and Hawkins (1990), in that the overall questionnaire should reflect the research objectives by logically moving from one topic to another. It was essential to attach a covering letter to introduce respondents to the study and explain the survey objectives. To establish credentials and legitimacy, the covering letter explained that the study was a doctoral research project and that all information obtained would be subject to anonymity and confidentiality and used only for the purposes of the present study. The questions were structured and separated into different sections .A 5-point Likert scale was used in the questionnaire in our study because it is extremely popular for measuring attitudes and is simple to administer (Malhotra, 2006). With the Likert scale, respondents indicated their attitudes by checking how strongly they agree or disagree with the statement. The scale ranges from strongly agree =1, agree = 2, neutral = 3, disagree = 4, strongly disagree = 5.

4.5.1.1 Brand Equity & its Dimensions

Brand equity as described by Aaker (1991) consists of the four main elements – perceived quality, brand loyalty, brand awareness and brand associations apart from other proprietary brand assets. The complete detail of each construct, items, & the source is given in Table 4.1. The items for seven item brand awareness scale used in this study were borrowed from Rajh (2005) & Yoo *et al.* (2000). Three items were borrowed from Yoo *et al.* (2000) whereas the rest four were borrowed from Rajh (2005). The brand association scale consisted of a total of fourteen items borrowed from Yoo *et al.* (2000), Villarejo-Ramos & Sánchez-Franco (2005) and Hananto (2006). Perceived quality measures consumers' subjective judgment about a brand's overall excellence or superiority and addresses overall quality rather than individual elements of quality. The eight items in scale for measuring perceived quality were borrowed from Yoo *et al.* (2000) and Villarejo-Ramos & Sánchez-Franco (2005). A total of nine brand loyalty items were borrowed from the scales suggested by Yoo *et al.* (2000), Villarejo-Ramos & Sánchez-Franco (2005) and Hananto (2006) .Eight candidate items of consumer-based overall brand equity scale (hereafter, OBE) were used. In each item, it was emphasized that all brand characteristics other than brand name were identical between the focal brand and its unbranded referent. The only differential information available to the respondents was brand name. Thus consistent with previous research; each item was designed to measure the incremental value of the focal product due to its brand name. The respondents were asked to express their intention to select the focal product against its counterpart. Five items were borrowed from Yoo *et al.* (2000), two from Rajh (2005) & one from Yasin *et al.* (2007) A total of 46 items were generated in the initial pool from literature survey of items for brand equity & its dimensions.

4.5.1.2 Marketing Mix Elements

"Perceived" rather than "actual" marketing mix elements were examined in this study due to two reasons. First, it was not possible for us to control actual marketing efforts in this study. Second, "perceived" marketing efforts play an important role in the consumer psychology than "actual" marketing efforts. The complete detail of each construct, items, & the source is given in Table 4.2. The items in the scales of price, store image, and distribution exclusivity were based on Yoo *et al.* (2000). Price was measured as it is subjectively perceived in the consumer's mind. We borrowed *six* items from Yoo (1996). Store image was measured as the perceived quality of retailers at which the focal brand was available. We used a total of 10 items, three items were borrowed from Rajh (2005) and seven items were borrowed with minor modifications from Porter & Claycomb (1997).

Distribution exclusivity was measured by how many retail stores carried the focal brand in the consumer's perception. We adopted with minor change, three items each from Yoo et al. (2000) and Rajh (2005) i.e. a total of six items were used to measure distribution exclusivity. TV, print, and web advertising expenditures were measured as the consumer's subjective perception of them in each advertising media for the focal brand. Their scales were adapted from Yoo et al. (2000) & Villarejo-Ramos & Sánchez-Franco (2005) measures of advertising expenditures by specifying the ad medium in the scales. Three items were adapted from Yoo et al. (2000) & two from Villarejo-Ramos & Sánchez-Franco (2005). Similarly, corresponding items were generated by replacing "TV" with "print" & "web".

Table 4.1: Measures of Brand Equity & its Dimensions

Construct (No. of items)	Item	Source
Brand awareness (7)	I can recognise brand X among other competing brands	Yoo *et al.* (2000)
	I am aware of X brand	
	I know X brand	
	This brand X is not known to me ®	Rajh (2005).
	I am acquainted with this brand X	
	I know this brand X very well	
	This brand X is very well known to me	
Brand association (14)	Some characteristics of brand X come to my mind quickly	Yoo *et al.* (2000)
	I can quickly recall the symbol or logo of brand X	
	Brand X has a strong personality	Villarejo-Ramos & Sánchez-Franco (2005)
	I have a clear impression of the type of people who use X brand	
	The intangible attributes of X brand are reason enough to buy it	
	Brand X provides a high value in relation to the price we must pay	
	Brand X gives me performance worth the money I spent to buy it	Hananto (2006).
	Brand X is associated with sincerity	
	Brand X is associated with excitement	
	Brand X really delivers its promise	
	Brand X is associated with sophistication	
	Brand X is associated with strength	
	I'm proud to buy brand X	
	I like the company that produces brand X	
Perceived quality (8)	Brand X is of high quality	Yoo *et al.* (2000)
	The likely quality of brand X is extremely high	
	The likelihood that brand X is reliable is very high	
	Brand X must be of very good quality	
	Brand X appears to be of very poor quality ®	
	The likelihood that brand X will be satisfactory is very high	Villarejo-Ramos & Sánchez-Franco (2005)
	Brand X is a brand characterised by its continuous innovation	
	Brand X is a quality leader within its category	
Brand loyalty (9)	I consider myself to be loyal to X brand	Yoo *et al.* (2000)
	Brand X would be my first choice	
	I will not buy other brands if X is available at the store	
	Brand X brand fulfilled my expectations the last time I bought it	Villarejo-Ramos & Sánchez-Franco (2005)
	I will buy brand X again	
	I will suggest brand X to other consumers	
	The price of another brand would have to be considerably inferior to not choose brand X	
	Even in the case of not using it, I would like to buy brand X	
	I feel committed to brand X	Hananto (2006)
Overall brand equity (8)	It makes sense to buy brand X instead of some other brand even if they are the same	Yoo *et al.* (2000)
	If another brand is not different from brand X in any way, it would still seem smarter to buy X	
	If there is another brand as good as X, I prefer to buy brand X	
	Even if another brand has same features as brand X, I would prefer to buy X	
	Even if another brand is identical to brand X, I would prefer X to other brand.	Yoo (1996)
	Even if another brand had the same characteristics as this brand, I would rather buy this brand X	Rajh (2005) .
	If there was another brand of the same quality as this brand, I would rather buy this brand X	
	Even if another brand has the same price as X, I would still buy brand X	Yasin *et al.* (2007)

(r) *reverse coded*

Advertising and sponsorship are increasingly considered complementary elements of an integrated communication strategy. They partly share the same objectives (e.g. awareness and image), but deliver their messages in different ways. As with advertising expenditures, consumers could also directly observe other campaigns' expense-related production elements, such as sponsorship of a sports event or the use of celebrities in advertisements (Kirmani & Wright, 1989). Therefore, based on the scale of advertising expenditures, we developed the scales of event sponsorship and celebrity endorsement with some minor adaptations. Event sponsorship campaigns and celebrity endorsements were measured as the consumer's subjective perception of a firm's expense on the use of celebrity or sponsorship for the focal brand (e.g., "The celebrity is frequently used in X's ads", and "The sponsorship campaigns for X are seen frequently in sports, music or other events"). Overall, 47 items were generated in the initial pool from literature survey of items for different marketing efforts.

4.5.2 Pre-testing of Questionnaire

Flick (2002) suggested that a thorough qualitative pre-study should be carried out in order for a quantitative study to be successful. Pre-testing is a trial run with a group of respondents for the purpose of detecting problems in the questionnaire instructions or design, whether the respondents have any difficulty understanding the questionnaire or whether there are any ambiguous or biased questions (Sekaran, 2003).

The aim of pre-testing the questionnaire was to ensure that the content as well as the mechanics of compiling the questionnaire had been satisfactory. It establishes a content validity of the scales. Hair et al. (2003) pointed out that to establish a scale's content validity is to ensure its ability to measure what it is designed to measure.

This was fulfilled by asking respondents first to complete the questionnaire and then to comment on its length, scale, formats, wording, and instructions. Based on respondents' feedback, slight modifications were made to a few items to correct some ambiguity in wording.

Table 4.2: Measures of Marketing Efforts

Construct (No of items)	Item	Source
Price (6)	Price of brand X is high	*
	Price of brand X is low ®	
	Brand X is expensive	
	The price of brand X is acceptable	
	Brand X is cheap ®	
	I would consider X to be very expensive	
Store image (10)	The stores in which I can buy X brand sell well-known brands	**
	Brand X can be bought only in high-quality stores	
	The stores in which I can buy X brand carry products of high quality	
	The physical facilities of the stores in which I can buy X brand are visually appealing	***
	I would tell my friends about the stores in which I can buy X brand	
	The interior furnishings in the stores in which I can buy X brand give the shopper the appearance and feeling of a quality retail outlet	
	The stores in which I can buy X brand have a pleasant shopping environment	
	The employees at the stores in which I can buy X brand are able to give me fashion tips and advice	
	The employees at the stores in which I can buy X brand are knowledgeable about	
	The employees at the stores in which I can buy X brand are helpful and courteous	
Distribution exclusivity (6)	The number of stores selling this brand X is fewer than the number of stores selling	****
	Less stores sell brand X as compared to its competing brands	
	Brand X is distributed through as many stores as possible ®	
	Compared to competing brands, this brand X is stocked in few stores	**
	This brand X is distributed through the least possible number of stores	
	The distribution of brand X is more intensive than its competitors®	
TV Advertising expenditures (5)	The television ad campaigns for brand X seem very expensive, compared to campaigns for competing brands	****
	Brand X is intensively advertised on television	
	The television advertising campaigns for brand X are seen frequently	
	In general, I like the television advertising campaigns for X brand	*****
	My opinion about brand X's television advertising is very high	
Print media Advertising expenditures (5)	The print media ad campaigns for X brand seem very expensive, compared to campaigns for competing brands	****
	Brand X is intensively advertised in print media	
	The print media advertising campaigns for brand X are seen frequently	
	In general, I like the print media advertising campaigns for X brand	*****
	My opinion about brand X's print media advertising is very high	
Web Advertising expenditures (5)	The web ad campaigns for X brand seem very expensive, compared to campaigns for	****
	Brand X is intensively advertised on web	
	The web advertising campaigns for X brand are seen frequently	
	In general, I like the web advertising campaigns for X brand	*****
	My opinion about brand X's web advertising is very high	
Celebrity endorsements (5)	The Celebrity endorsements for brand X seem very expensive, compared to campaigns for competing brands	****
	Brand X is intensively endorsed by celebrities.	
	The Celebrity endorsements for brand X are seen frequently	
	In general, I like the Celebrity endorsements for X brand	*****
	My opinion about brand X's Celebrity endorsements is very high	
Event Sponsorships (5)	The Event Sponsorships for X brand seem very expensive, compared to campaigns	****
	Brand X intensively sponsors events.	
	The Event Sponsorships for X brand are seen frequently	
	In general, I like the Event Sponsorships for X brand	*****
	My opinion about brand X's Event Sponsorships is very high	

® reverse coded ; * Yoo (1996); **Rajh (2005); Porter & Claycomb (1997)*** ; Yoo *et al.* (2000)****; Villarejo-Ramos & Sánchez-Franco (2005)*****

The objective of pre-testing is to evaluate the items used in the design questionnaire (Hair, Black, Babin, Anderson, & Tatham 2006). Sekaran (2003) suggests that it is important to pre-test the questionnaire used in the survey to ensure that the respondents understood the questions posed and that there is no ambiguity and no problems associated with wording or measurement. The size of the pre-testing group may be 25 or 50 subjects (Zikmund, 2003). In Sept 2009, a total of 50 pretest surveys were collected from a non-probability sample of corporate executives (31), academicians (5) & management graduates (14). The suggestions highlighted some potential problems with wording and other ambiguities. It is important to give careful consideration to wordings because question wording substantially influences accuracy (Zikmund, 2003).

Based on the feedback from the pretest, adjustments to the questionnaire items were made. The questionnaire was improved based on findings from the pretest in the following areas: modifying the wording of some items; and adjusting the category of demographic questions in order to better reflect the target sample's situations. So, some of the items were refined, re-worded or changed to be more representative of the intended constructs thus enhancing the scale's content validity.

Then a second pre-testing was conducted on another 50 respondents. After the second pre-testing, it was found that there were still some ambiguities and inadequacies. The questionnaire was again revised to incorporate suggestions regarding wording and inappropriate sequencing.

4.6 PILOT SURVEY

A pilot survey is a small-scale version of the larger survey; it relates particularly to questionnaire survey but can relate to any type of research procedure. It is always advisable to carry out one or more pilot surveys before starting the main data collection exercise (Malhotra, 2006; Sekaran, 2003). It should draw subjects from the target population and simulate the procedures and protocols that have been designed for data collection. It helps detect weaknesses in design and instrumentation. In fact, pilot survey can be used to test out all aspects of the survey and not just question wording (Ticehurst & Veal, 2000). The size of the pilot group may range from 25 to 100 subjects (Cooper & Schindler, 1998). In the present study, the pilot survey was initially conducted on 100 respondents. After the data was collected, reverse scoring was performed for the negatively worded items, data was analysed by using preliminary statistical tools using SPSS, and the respondents' feedback was summarised. From the results of reliability tests & some basic data analysis, no further changes seemed appropriate at this stage.

4.7 PRODUCT STIMULI SELECTION

Nine International luxury apparel brands (in women's and men's wear) were shortlisted from Interbrand's Survey (2008) of International luxury brands. These brands represent different combinations of market factors, such as price, market share, marketing strategies, brand/corporation reputation, and country of origin. Most respondents were probably familiar with them. Regarding the selection of the commercial brands studied, we followed the recommendation of Leuthesser, Kohli, & Harich (1995) of analysing brands that are sufficiently well-known by the consumer. For this reason, as a preliminary step to the study, hundred individuals were personally interviewed, being requested to indicate on a list of nine international luxury brands of apparel those they had used and of which they had sufficient knowledge of their different features. In line with the percentages attained for the different brands, we decided to focus our research on all the nine brands: Louis Vuitton (68%), Gucci (72%), Chanel (52%), Hermès (56%), Prada (62%), Burberry (45%), Dior (42%), Zegna (38%) and Ferragamo (35%). The list of these brands, their country of origin & customer preference is given in Table 4.3.

Table 4.3: Brands Considered for the Study and Country of Origin (COO)

S. No.	Brand	COO	S. No.	Brand	COO
1	Louis Vuitton	France	6	Burberry	United Kingdom
2	Gucci	Italy	7	Dior	France
3	Chanel	France	8	Zegna	Italy
4	Hermès	France	9	Ferragamo	Italy
5	Prada	Italy			

4.8 DATA COLLECTION PROCEDURES

The study employed intercept survey technique to generate the necessary data. Luxury apparel outlets located in different malls were selected based on the criterion whether the selected brands were available or not in these malls. Survey was administered in five cities in North India viz. Delhi, Gurgaon, Faridabad, Noida & Chandigarh. All of these cities are cosmopolitan in outlook and are at an advanced stage of economic development. Thus, picture emerging from these cities was expected to be a good indicator of future consumption patterns in India. The respondents who qualified for the study were those who were users of the brands being studied and had bought at least one of the nine apparel brands in the last two years. The same procedure has been used by Vázquez *et al.* (2002). A total of 650 personal interviews were conducted, which resulted in 618 valid surveys. Each respondent was requested to evaluate a maximum of one brand. The survey included questions related to the consumers' evaluation of perceived marketing efforts, and dimensions of brand equity.

4.9 THE SAMPLE

In most forms of survey research (as well as within many other forms of social research) it is necessary to select a sample of the population under study in order to infer statistically valid generalisations about a particular characteristic of this population. A sample is therefore a subset of the population studied. There are many different methods for selecting this subset depending on the kind of research that is being undertaken and the kind of analysis to be applied. Most commonly, social scientists require that their sample is representative of the general population they are studying. This requirement brings with it its own problems given that a precisely representative sample can be difficult to achieve. For this reason, social scientists often statistically 'weight' particular variables in their sample to ensure that the affects of particular variables (e.g. gender, age, ethnicity) are managed accurately.

The effect of sample size on the adequateness of the Fit Indices (discussed further in section 4.13.3.1 in this chapter) is the most prominent one. What constitutes adequate sample size for the adequateness of the fit index is decided by the trade-off between too little power in small sample sizes and too much statistical power in large samples.

In other words the trade-off or the fine balancing act is in choosing between too little power to detect large discrepancies and too much power to detect trivial discrepancies. Schreiber *et al.* (2006) suggest that sample size becomes an important issue since it determines the stability of the estimated parameters, and go on to recommend that replication with multiple samples may be the key to demonstrate the stability of parameters; however they suggest that with one sample analysis, 10 participants (data points) per estimated parameter can be a good thumb rule. Pohlmann (2004) recommends estimating the model twice with the same data, by randomly splitting it into two halves.

The most important aspect a researcher has to keep in mind is how to determine an appropriate research population and a proper sampling procedure. According to Churchill (1979) the sampling procedure can be divided into probability and non-probability sampling. Furthermore, Saunders *et al.* (2007) explains probability sampling, as the chance of each case being selected from the population which is known. In non-probability sampling there is an assumption that there is an even distribution of characteristics within the population. Within business research it is often not possible to specify the probability that any case will be included in the sample and thus, the sample must be selected some other way (Churchill, 1979). Probability sampling involves the selection of a sample from a population, based on the principle of randomization or chance (Aczel & Sounderpandian, 2002). Hence, probability sampling is more complex in the sense that it sometimes involves two different stages of sampling. Therefore, it can be considered to be more time consuming and more costly than a non-probability sampling (Saunders *et al.*, 2007). Non-probability sampling is cheaper and used when a sampling frame is not available. Also, this method is used in a research where there is an interest of obtaining an idea of responses on ideas that people have (Churchill, 1979).

Based on this discussion, the sampling technique used in this thesis is non-probability sampling due to the limited time and the expenses; & lack of availability of .sampling frame. The main argument for this is that there are few users of luxury apparels & that too select international brands. When conducting non-probability sampling, the main assumption a researcher makes is that there is an even distribution of characteristics within the population. In doing this, the sample would be representative which will also lead to that the results will be truthful (Aczel & Sounderpandian, 2002).

Furthermore, non-probability sampling provides a range of alternative techniques based on the researchers' subjective judgement and examples of these are: quota sampling, purposive sampling, snowball sampling and convenience sampling (Saunders *et al.*, 2007). The author believes that quota sampling is most appropriate. This sampling technique means that a researcher has the ability to get information from a respondent in the easiest way, which in this case is on the mall area in different Indian cities. Quota sampling was chosen because there will be a sampling focus on luxury brand users at different shopping malls. Furthermore, to be able to get a wider understanding and strengthen the assumption that the respondents that are selected are similar to those not selected, the author will not focus on one shopping mall in one city and therefore take different cities into consideration. Basically, Saunders *et al.* (2007) argue that the sampling is done, when a specific number of units (quotas) for various sub-populations have been selected. This means that the main population in this case are all the adult luxury brand users in India and the sub-population is the adult luxury brand users in different Indian cities.

Participation in the survey was voluntary and consumers were intercepted while shopping at the selected outlets in the five cities covered under the study. Questionnaires were personally administered to respondents who were 18 years or older. Both the genders were almost equally represented in the sample. All variables were assessed through the respondents' perceptual evaluations and the recall of their experiences. As already stated 650 surveys were administered in all leading to 618 valid responses.

4.10 DATA EDITING AND CODING

Using SPSS software version 19.0, data was edited by checking and adjusting for errors, omissions, legibility and consistency in order to ensure completeness, consistency, and reliability of the data. Data was coded by assigning character symbols, and edited before it was entered into SPSS. Each item in the questionnaire had a unique variable name. A coding sheet was used to maintain information about how each variable was coded. It comprised a list of all variables in the questionnaire, the abbreviated variable names that were used in SPSS and the way in which the responses were coded. In relation to data input into SPSS, screening and cleaning of data before the data analysis stage was necessary to make sure that there were no errors at the stage of keying data. By using descriptive statistics in SPSS such as frequency analysis, the data was screened by checking each variable to see if the score was out of range for this category (checking frequencies), or for continuous variables (checking minimum, maximum, mean and standard deviation). After finding errors, it was necessary to go back to the questionnaires to confirm the data before correcting the error in the data file. Thus, after taking due care, researcher proceeded to the data analysis stage.

4.11 MISSING DATA AND OUTLIERS

Data cleaning procedure was performed before proceeding with the analysis. Outliers were detected by the help of box plots (also called box-whisker diagrams) in SPSS. Moreover, the missing values were replaced with the mean values in the database (Field, 2006).

4.12 DATA ANALYSIS

During initial stages, descriptive statistics was obtained by using SPSS 19.0. Data analysis involved testing the reliability (inter-item consistency) and validity of the scales (convergent validity). The next stage comprised testing the proposed research models through Structural Equation Modelling using AMOS 19.0. Statistical techniques used in this research can be categorised into four groups. The first set of techniques was used for descriptive purposes , second for Exploratory factor analysis (EFA) , third for Confirmatory factor analysis (CFA) and fourth, Structural Equation Modelling (SEM) was used to estimate interrelated dependence relationships (Hair *et al.*, 2006).liability This technique is helpful in generating a model of relationships among variables (Hayduk, 1987). We hereby first discuss the concepts of Reliability & Validity before discussing EFA, CFA & SEM.

4.12.1 RELIABILITY & VALIDITY

Reliability connotes to the consistency on the research results, which are judged by different observers or by the same observer on different occasions (Hammersley, 1992). As pointed out by Davis and Bremner (2006), to justify reliability, one can replicate the same research to see whether the same outcomes are obtained on subsequent occasions. While reliability is correlated to consistency, validity concerns about the truth (Silverman, 2000), giving an accurate account to the social phenomena (Hammersley, 1992). However, it is found that having reliable research results is not always attributable to valid outcomes (Davis & Bremner, 2006). Let us now discuss Reliability & Validity separately.

Reliability: Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. Kirk and Miller (1986) identify three types of reliability referred to in quantitative research, which relate to: (1) the degree to which a measurement, given repeatedly, remains the same (2) the stability of a measurement over time; and (3) the similarity of measurements within a given time period.

The consistency with which questionnaire items are answered or individual's scores remain relatively the same can be determined through the test-retest method at two different times. This attribute of the instrument is actually referred to as stability. If we are dealing with a stable measure, then the results should be similar. A high degree of stability indicates a high degree of reliability, which means the results are repeatable. Joppe, (2000) detects a problem with the test-retest method which can make the instrument, to a certain degree, unreliable. She explains that test-retest method may sensitize the respondent to the subject matter, and hence influence the responses given. We cannot be sure that there was no change in extraneous influences such as an attitude change that has occurred. This could lead to a difference in the responses provided. Similarly, Crocker and Algina (1986) note that when a respondent answers a set of test items, the score obtained represents only a limited sample of behaviour. As a result, the scores may change due to some characteristic of the respondent, which may lead to errors of measurement. These kinds of errors will reduce the accuracy and consistency of the instrument and the test scores. Hence, it is the researcher's responsibility to assure high consistency and accuracy of the tests and scores. Reliability is therefore the degree to which measures are free from random error and therefore yield consistent results. However, it is to be noted that unidimensionality is a necessary condition for reliability analysis and construct validation (Anderson & Gerbing, 1991). Hence, in the present study, reliability was assessed only after scale unidimensionality was established.

Validity: Although the researcher may be able to prove the research instrument repeatability and internal consistency, and, therefore reliability, the instrument itself may not be valid. The traditional criteria for validity find their roots in a positivist tradition, and to an extent, positivism has been defined by a systematic theory of validity. Within the positivist terminology, validity resided amongst, and was the result and culmination of other empirical conceptions: universal laws, evidence, objectivity, truth, actuality, deduction, reason, fact and mathematical data to name just a few (Winter, 2000). Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Joppe, 2000). In other words, does the research instrument allow you to hit "the bull's eye" of your research object? Researchers generally determine validity by asking a series of questions, and will often look for the answers in the research of others.

The definitions of reliability and validity in quantitative research reveal two strands: Firstly, with regards to reliability, whether the result is replicable. Secondly, with regards to validity, whether the means of measurement are accurate and whether they are actually measuring what they are intended to measure. However, the concepts of reliability and validity are viewed differently by qualitative researchers who strongly consider these concepts defined in quantitative terms as inadequate. In other words, these terms as defined in quantitative terms may not apply to the qualitative research paradigm. The question of replicability in the results does not concern them (Glesne & Peshkin, 1992), but precision (Winter, 2000), credibility, and transferability (Hoepf, 1997) provide the lenses of evaluating the findings of a qualitative research. In this context, the two research approaches or perspectives are essentially different paradigms (Kuhn, 1970).

Scale was analysed for Content, Convergent, Discriminant & Nomological validity in the current study. Before discussing Exploratory factor analysis (EFA) & Confirmratory factor analysis (CFA), let's discuss factor analysis. Generally speaking, factor analysis is a procedure used to determine the extent to which *measurement overlap* —that is shared variance—exists among a set of variables. Its underlying purpose is to determine if measures for different variables are, in fact, measuring something in common. The mathematical procedure essentially takes the variance, as defined by the intercorrelations among a set of measures, and attempts to allocate it in terms of a smaller number of underlying hypothetical variables. These underlying, hypothetical—and unobservable—variables are called *factors.* Factor analysis, then, is essentially a process by which the number of variables is re-duced by determining which variables "cluster" together, and factors are the groupings of variables that are measuring some common entity or construct. The main set of results obtained from a factor analysis consists of *factor loadings. A* factor loading is interpreted as the Pearson correlation coefficient of an original variable with a factor. Like correlations, loadings range in value from -1.00 (representing a perfect negative association with the factor) through 0 to +1.00 (indicating perfect positive association). Variables typically will have loadings on all factors but will usually have high loadings on only one factor (Aron & Aron, 1999).

Another index provided in the results of a factor analysis is the list of *communalities* for each variable. Communalities represent the proportion of variability for a given variable that is explained by the factors (Agresti & Finlay, 1997) and allows the researcher to examine how individual variables reflect the sources of variability (Williams, 1992). Communalities may also be interpreted as the squared multiple correlation of the variable as predicted from the combination of factors, or as the sum of squared loadings across all factors for that variable.

The process by which the factors are determined from a larger set of variables is called *extraction.* There are actually several types of factor extraction techniques, although the most commonly used empirical approaches are principal components analysis and factor analysis (Stevens, 1992). It should be noted that the term "factor analysis" is *commonly* used to represent the *general* process of variable reduction, regardless of the actual method of extraction utilized. In both principal components analysis and factor analysis, linear combinations (the factors) of original variables are produced, and a small number of these combinations typically account for the majority of the variability within the set of intercorrelations among the original variables.

4.12.2 Exploratory Factor Analysis (EFA)

Exploratory factor analysis (EFA) is designed for the situation where links between the observed and latent variables are unknown or uncertain. The analysis thus proceeds in an exploratory mode to determine how, and to what extent, the observed variables are linked to their underlying factors. Typically, the researcher wishes to identify the minimal number of factors that underlie (or account for) covariation among the observed variables. Following the formulation of questionnaire items designed to measure different latent constructs, the researcher would then conduct an EFA to determine the extent to which the item measurements (the observed variables) were related to the latent constructs. In factor analysis, these relations are represented by factor loadings. This factor analytic approach is considered to be exploratory in the sense that the researcher has no prior knowledge that the items do, indeed, measure the intended factors (Byrne, 2005).

There are different methods of extracting the factors from a set of data. The method chosen will matter more to the extent that the sample is small, the variables are few, and/or the communality estimates of the variables differ. Principal components analysis is often preferred as a method for data reduction, while principal factors analysis is often preferred when the goal of the analysis is to detect structure. The next sub sections discuss different types of factor analysis & rotation techniques.

- **Principal Components Analysis (PCA):** By far the most common form of factor analysis, PCA seeks a linear combination of variables such that the maximum variance is extracted from the variables. It then removes this variance and seeks a second linear combination which explains the maximum proportion of the remaining variance, and so on. This is called the principal axis method and results in orthogonal (uncorrelated) factors. PCA analyzes total (common and unique) variance. When principal components analysis is used for extraction, the resulting linear combinations are often referred to as "components," as opposed to "factors."
- **Principal Factor Analysis (PFA):** Also called principal axis factoring, PAF, and common factor analysis, CFA is a form of factor analysis which seeks the least number of factors which can account for the common variance (correlation) of a set of variables, whereas the more common principal components analysis (PCA) in its full form seeks the set of factors which can account for all the common and unique (specific plus error) variance in a set of variables. PFA uses a PCA strategy but applies it to a correlation matrix in which the diagonal elements are not 1's, as in PCA, but iteratively-derived estimates of the communalities.
- **Other Extraction Methods:** In addition to PCA and PFA, there are other less-used extraction methods, including image factoring and maximum likelihood factoring, alpha factoring, unweighted least squares factoring, and generalized or weighted least squares factoring.
- **Oblique Rotations** discussed below allow the factors to be correlated, and so a factor correlation matrix is generated when oblique is requested. Normally, however, an orthogonal method such as varimax is selected and no factor correlation matrix is produced as the correlation of any factor with another is zero. No rotation is the default in SPSS Factor Analysis, but it is a good idea to select a rotation method, usually varimax. The original, unrotated principal components solution maximizes the sum of squared factor loadings, efficiently creating a set of factors which explain as much of the variance in the original variables as possible. The amount explained is reflected in the sum of the eigenvalues of all factors. However, unrotated solutions are hard to interpret because variables tend to load on multiple factors.
- **Varimax Rotation** is an orthogonal rotation of the factor axes to maximize the variance of the squared loadings of a factor (column) on all the variables (rows) in a factor matrix, which has the effect of differentiating the original variables by extracted factor. That is, it minimizes the number of variables which have high loadings on any one given factor. Each factor will tend to have either large or small loadings of particular variables on it. A varimax solution yields results which make it as easy as possible to identify each variable with a single factor. This is the most common rotation option.
- **Quartimax Rotation** is an orthogonal alternative which minimizes the number of factors needed to explain each variable.
- **Equimax Rotation** is a compromise between Varimax and Quartimax criteria.
- **Direct Oblimin Rotation** is the standard method when one wishes a non-orthogonal solution -- that is, one in which the factors are allowed to be correlated. This will result in higher eigenvalues but diminished interpretability of the factors.

- **Promax Rotation** is an alternative non-orthogonal rotation method which is computationally faster than the direct oblimin method and therefore is sometimes used for very large datasets*

In our study, Principal Component Analysis (PCA) was performed to check whether the items of each construct load on a single construct. Kaiser-Meyer-Olkin (KMO) and Bartlett's Tests were performed to determine if the data are likely to factor well (Malhotra, 2006). KMO measure quantifies the degree of inter correlations among the variables and hence the appropriateness of factor analysis. Another measure is Bartlett's test of sphericity which measures the presence of correlations among the variables. It provides the statistical probability that the correlation matrix has significant correlations among at least some of variables. Thus, a significant Bartlett's test of sphericity is required.

4.12.3 Confirmatory Factor Analysis (CFA)

In contrast to EFA, confirmatory factor analysis (CFA) is appropriately used when the researcher has some knowledge of the underlying latent variable structure. Based on knowledge of the theory, empirical research, or both, he or she postulates relations between the observed measures and the underlying factors a priori and then tests this hypothesized structure statistically. The proposed model would then be evaluated by statistical means to determine the adequacy of its goodness-of-fit to the sample data (Byrne, 2003, 2005). The use of CFA measurement modeling in SEM also has disadvantages and these are likely to have contributed to poor applications of SEM where the believability and replicability of the final model is in doubt. While technically appealing, CFA requires strong measurement science which is often not available in practice. A measurement instrument often has many small cross-loadings that are well motivated by either substantive theory or by the formulation of the measurements. The CFA approach of fixing many or all cross-loadings at zero may therefore force a researcher to specify a more parsimonious model than is suitable for the data. Because of this, models often do not fit the data well and there is a tendency to rely on extensive model modification to find a well-

* http://www.hishammb.net/workshopfeb2008/fanotes.pdf

fitting model. Here, searching for a well-fitting measurement model is often aided by the use of model modification indices. A critique of the use of model searches using modification indices is given for example in MacCallum, Roznowski, and Necowitz (1992). In such situations of model uncertainty, Browne (2001) advocates exploratory rather than confirmatory approaches. Confirmatory factor analysis procedures are often used for exploratory purposes. Frequently a confirmatory factor analysis, with pre-specified loadings, is rejected and a sequence of modifications of the model is carried out in an attempt to improve fit. The procedure then becomes exploratory rather than confirmatory. In this situation the use of exploratory factor analysis, with rotation of the factor matrix, appears preferable. The discovery of misspecified loadings is more direct through rotation of the factor matrix than through the examination of model modification indices." Exploratory factor analysis (EFA) is a frequently used multivariate analysis technique in statistics. Jennrich and Sampson (1968) solved a significant EFA factor loading matrix rotation problem by deriving the direct Quartimin rotation. Jennrich was also the first to develop standard errors for rotated solutions. Cudeck and O'Dell (1994) provide a useful discussion on the benefits of considering standard errors for the rotated factor loadings and factor correlation matrix in EFA.

In summary, then, the factor analytic model (EFA or CFA) focuses solely on how, and the extent to which, the observed variables are linked to their underlying latent factors. More specifically, it is concerned with the extent to which the observed variables are generated by the underlying latent constructs and thus strength of the regression paths from the factors to the observed variables (the factor loadings) are of primary interest.

4.12.4 Structural Equation Model (SEM)

Structural equation modeling (SEM) techniques are considered today to be a major component of applied multivariate statistical analyses and are used by biologists, economists, educational researchers, marketing researchers, medical researchers, and a variety of other social and behavioral scientists. Although the statistical theory that underlies the techniques appeared decades ago, a considerable number of years passed before SEM received the widespread attention it holds today. One reason for the recent attention is the availability of specialized SEM programs (e.g., AMOS, EQS, LISREL, Mplus, Mx, RAMONA, SEPATH) & the publication of several introductory and advanced texts on SEM (e.g., Hayduk, 1996: Bollen, 1989; Byrne, 1999, 2001; Schumacker & Lomax, 1996; Raykov & Marcoulides, 2000). Structural Equation Modelling (SEM) method, also known as covariance structure analysis or latent variable analysis, is an advanced multivariate technique to examine multiple dependence relationships between variables, simultaneously.

Structural Equation Models (SEMs), also called simultaneous equation models, are multivariate (i.e., multiequation) regression models. Unlike the more traditional multivariate linear model, however, the response variable in one regression equation in an SEM may appear as a predictor in another equation; indeed, variables in an SEM may influence one-another reciprocally, either directly or through other variables as intermediaries. These structural equations are meant to represent causal relationships among the variables in the model. A cynical view of SEMs is that their popularity in the social sciences reflects the legitimacy that the models appear to lend to causal interpretation of observational data, when in fact such interpretation is no less problematic than for other kinds of regression models applied to observational data. A more charitable interpretation is that SEMs are close to the kind of informal thinking about causal relationships that is common in social-science theorizing, therefore, these models facilitate translating such theories into data analysis.

In its broadest sense, SEM models represent translations of a series of hypothesized cause–effect relationships between variables into a composite hypotheses concerning patterns of statistical dependencies (Shipley, 2000). The relationships are described by parameters that indicate the magnitude of the effect (direct or indirect) that independent variables (either observed or latent) have on dependent variables (either observed or latent). By enabling the translation of hypothesized relationships into testable mathematical models, SEM offers researchers a comprehensive method for the quantification and testing of theoretical models. Once a theory has been proposed, it can then be tested against empirical data. The process of testing a proposed theoretical model is commonly referred to as the "confirmatory" aspect of SEM (Raykov & Marcoulides, 2000). Another aspect of SEM is the so-called "exploratory" mode. This aspect allows for theory development and often involves repeated applications of the same data in order to explore potential relationships between variables of interest (either observed or latent). *Latent variables* are hypothetical or theoretical variables (constructs) that cannot be observed directly. Latent variables are of major importance to most disciplines but generally lack an explicit or precise way of measuring their existence or influence. For example, many behavioral and social scientists study the constructs of aggression and dominance. Because these constructs cannot be measured explicitly, they are are inferred through observing or measuring specific features that operationally define them (e.g., tests, scales, self-reports, inventories, or questionnaires). SEM can also be used to test the plausibility of hypothetical assertions about potential interrelationships between constructs and their observed measures or indicators. Latent variables are hypothesized to be responsible for the outcome of observed measures. In other words, the score on the explicit questionnaire would be an indicator of the construct or latent variable. Researchers often use a number of indicators or observed variables to examine the influences of a theoretical factor or latent variable. It is generally recommended that researchers use *multiple indicators* (preferably more than two) for each latent variable considered in order to obtain a more complete and reliable "picture" than that provided by a single indicator (Raykov & Marcoulides, 2000).

Major applications of structural equation modeling include (Guttman, 1954):

- Causal modeling, or path analysis, which hypothesizes causal relationships among variables and tests the causal models with a linear equation system. Causal models can involve either manifest variables, latent variables, or both;
- Confirmatory factor analysis, an extension of factor analysis in which specific hypotheses about the structure of the factor loadings and intercorrelations are tested;
- Second order factor analysis, a variation of factor analysis in which the correlation matrix of the common factors is itself factor analyzed to provide second order factors;
- Regression models, an extension of linear regression analysis in which regression weights may be constrained to be equal to each other, or to specified numerical values;
- Covariance structure models, which hypothesize that a covariance matrix has a particular form. For example, you can test the hypotheses that a set of variables all have equal variances with this procedure;
- Correlation structure models, which hypothesize that a correlation matrix has a particular form. A classic example is the hypotheses that the correlation matrix has the structure of a circumplex.

Advantage of SEM Over other Multivariate Procedures: SEM can simultaneously estimate all path coefficients and test the significance of each causal path, permitting the evaluation of the model performance as a whole Bagozzi (1981, 1982). Several aspects of SEM set it apart from the older generation of multivariate procedures:

First, as noted above, it takes a confirmatory rather than an exploratory approach to the data analysis (although aspects of the latter can be addressed). Furthermore, by demanding that the pattern of intervariable relations be specified a priori, SEM lends itself well to the analysis of data for inferential purposes. By contrast, most other multivariate procedures are essentially descriptive by nature (e.g., exploratory factor analysis), so that hypotheses testing is difficult, if not impossible. *Second*, whereas traditional multivariate procedures are incapable of either assessing or correcting for measurement error, SEM provides explicit estimates of these error variance parameters. Indeed, alternative methods (e.g., those rooted in regression, or the general linear model) assume that error(s) in the explanatory (i.e., independent) variables vanish(es). Thus, applying those methods when there is error in the explanatory variables is tantamount to ignoring error, which may lead, ultimately, to serious inaccuracies-especially when the errors are sizeable. Such mistakes are avoided when corresponding SEM analyses (in general terms) are used. *Third*, although data analyses using the former methods are based on observed measurements only, those using SEM procedures can incorporate both unobserved (i.e., latent) and observed variables. *Finally*, there are no widely and easily applied alternative methods for modeling multivariate relations, or for estimating point and/or interval indirect effects; these important features are available using SEM methodology. Given these highly desirable characteristics, SEM has become a popular methodology for nonexperimental research, where methods for testing theories are not well developed and ethical considerations make experimental design unfeasible (Bentler, 1980).

SPSS was used to conduct preliminary analyses of data together with SEM software package AMOS 19.0 which was used to test the proposed models.

4.12.4.1 Fitting *a priori* Theoretical Model

Structural Equation Modelling (SEM) is an advanced multivariate statistical process with which a researcher can hypothesize and test a theoretical model and the associated relationships. It also takes into account measurement errors, and considers both direct and indirect effects of variables on one another. Structural equation modeling (SEM) is a statistical methodology that takes a confirmatory (i.e., hypotheses-testing) approach to the analysis of a structural theory bearing on some phenomenon & this theory represents "causal" processes that generate observations on multiple variables (Bentler, 1988). The term structural equation modeling conveys two important aspects of the procedure: (a) that the causal processes under study are represented by a series of structural (i.e., regression) equations, and (b) that these structural relations can be modeled pictorially to enable a clearer conceptualization of the theory under study. The hypothesized model can then be tested statistically in a simultaneous analysis of the entire system of variables to determine the extent to which it is consistent with the data. If goodness-of-fit is adequate, the model argues for the plausibility of postulated relations among variables; if it is inadequate, the tenability of such relations is rejected.

When testing a model for fit, the complete fit of the model as well as the individual parameters need to be examined. Typically, choosing the appropriate fit statistic is difficult for many researchers. χ^2 goodness-of-fit statistic and fit indexes are the most commonly used measures to evaluate model fit in SEM. The so called fit is actually the degree to which the particular model matches with the observed data. The important aspect of these fit statistics is that one is supplementing the others.

One of the most widely used statistics for assessing the fit of a model is the χ^2 (chi-square) goodness- of-fit statistic. This statistic is an assessment of the magnitude of difference between the initial observed covariance matrix and the reproduced matrix. The probability level that is associated with this statistic indicates whether the difference between the reproduced matrix and the original data is significant or not. A significant χ^2 test states that the difference between the two matrices is due to sampling error or variation. Typically, researchers are most interested in a nonsignificant χ^2 test. This indicates that the observed matrix and the reproduced matrix are not statistically different, therefore indicating a good fit of the model to the data.

The limitation of this test is that, T may not follow a χ^2 distribution when sample size is small. What exactly is a small sample size is itself not clearly resolved among researchers. However in large samples too, the χ^2 test is not free of problems. This is due to the large statistical power of a large sample, which makes even a trivially small discrepancy between sample covariance matrix and fitted model, reject the specified model. Also, since multivariate normality is an underlying assumption in χ^2 test too, in the case of violation of this assumption, the T statistic may not be χ^2 distributed. Green *et al.* (1997) have shown that χ^2 statistic also varies depending on the number of categories in the response variable. What follows from the above discussion is that χ^2 statistic is not a complete and reliable measure of evaluating the model fit, because a significant χ^2 value may result from reasons other than an inadequate model fit like- model misspecification, power of test, violation of normality assumptions, or sample size effect. Since, the χ^2 test suffers from several weaknesses, including a dependence on sample size, and vulnerability to departures of the data from multivariate normality. Thus it is suggested that a researcher should examine a number of fit criteria in addition to the χ^2 value to assess the fit of the proposed model (Raykov & Marcoulides, 2000). Few such important indices are mentioned herewith.

To assist in the process of assessing model fit, there are many other descriptive fit statistics that are typically formulated in values that range from 1 (perfect fit) to zero (no fit). One of the more popular fit indices is the goodness-of-fit index (GFI), which can loosely be considered as a measure of the proportion of variance and covariance that the proposed model is able to explain. If the number of parameters is also taken into account then the resulting index is the adjusted goodness of fit (AGFI) (Raykov & Marcoulides, 2000). Unfortunately, there is not a strict norm for these indices. As a rough guide, it is currently viewed that a model with a GFI or AGFI of 0.95 or above may well represent a reasonably good approximation of the data (Hu & Bentler, 1999).

Table 4.4 Summary of the SEM Fit Indices with their Acceptable Thresholds

Fit Index	Recommended Value	Source
Chi-Square χ^2 (CMIN)	p>=0.05	Hooper *et al.*, 2008
Normed χ^2 (χ^2/df) i.e. CMIN/DF	<=3.0	Kline, 2005
	<=2.0	Tabachnik & Fidell, 2007
Goodness-of Fit Index (GFI)	>=0.90	Hooper *et al.*, 2008
Adjusted Goodness-of-Fit Index (AGFI)	>0.90 ()	Bentler & Bonett, 1980
Normed Fit Index (NFI)	>=0.95	Hu & Bentler, 1999
Comparative Fit Index (CFI)	>0.90	Bentler & Bonett, 1980
Incremental Fit Index (IFI)	>0.90	Bentler & Bonett, 1980
Root Mean Square Error of Approximation (RMSEA)	<0.07	Steiger, 2007
Root Mean Square Residual (RMR)	<0.08	Hu & Bentler, 1999

Assessing whether a specified model fits the data is one of the most important steps in Structural Equation Modelling. While assessment of model fit, it is not necessary or realistic to include every index included in the AMOS's output. Since there are no golden rules for assessment of model fit, reporting a variety of indices is necessary (Crowley & Fan, 1997) because different indices reflect different aspects of model fit. In a review by McDonald and Ho (2002) it was found that the most commonly reported fit indices are the CFI, GFI, AGFI, NFI and the IFI. Furthermore, Kline (2005) and Hayduk, Cummings, Boadu, Pazderka-Robinson, & Boulianne (2007) asserted that the Chi-Square and associated p value, should at all times be reported.

Moreover, it is suggested by Hooper, Coughlan and Mullen (2008) that it is sensible to report the Chi-Square statistic, its degrees of freedom and p value, the RMSEA, RMR, the CFI. Although both RMSEA and RMSR are discrepancy per degree of freedom, RMSEA is different than RMSR as it is measured in terms of population and not just the sample used for estimation (Steiger, 1990).

These indices have been chosen over other indices as they have been found to be the most insensitive to sample size, model misspecification and parameter estimates (Hooper *et al.*, 2008). In the light of the above, it was decided to report the Chi-Square, Normed Chi-square, RMSEA, RMR, GFI, AGFI, CFI, NFI and IFI. Table 4.4 lists these fit indices with their acceptable thresholds.

SUMMARY

This chapter presents the methodology used in this research including steps involved in information gathering, the instrument development, pre-tests, pilot study, data collection and data analysis process. The research instrument was pre-tested twice, and the pilot study was conducted in India. In the data analysis section, the statistical techniques used in data analysis were examined for their purpose and benefits of uses in this study. The results of the data analysis via these statistical techniques will be discussed in the next chapter.

CHAPTER 5

DATA ANALYSIS

Structural Equation Modeling (SEM) was used to guide research design and the systematic analysis procedures i.e. Confirmatory Factor Analysis (CFA) and path analyses. We followed the two-step approach recommended by Anderson and Gerbing (1988). In the first stage, the measurement model was analyzed to ensure reliability and validity of the constructs. In the second stage, the hypotheses of the relationships between constructs were tested. As discussed earlier, the study employed consumer surveys to gather data, and the quantitative evaluation of customers' attitudes and behaviors (on five-point scales) was used to examine the relationships of factors under the framework.

The present chapter can be broadly divided into four parts. The first part deals with the preliminary data analysis, the second part presents Exploratory Factor Analysis (EFA) results, the third part presents Confirmatory Factor Analysis (CFA) results and the fourth part presents results of Structural Equation Modelling (SEM).

The preliminary data analysis presents the results related to (1) the reliability of the instrument based on internal consistency of the measures by testing the Cronbach's alpha together with inter-item correlation, (2) the descriptive analysis associated with respondents demographic data, and (3) the descriptive analysis associated with luxury apparel brand usage profile of respondents.

Exploratory Factor Analysis (EFA) was used for examining the dimensionality of the scale in scale purification .The "principal components analysis" procedure was used. Factor extraction was used to identify the number of underlying factors by examining initial eigenvalues and the scree plot.

The data analysis, for Confirmatory Factor Analysis (CFA), was divided into three stages:

1. to get to know the data and prepare for analysis;
2. to assess the measurement model and reliability/validity of measures; and
3. to analyze the structural model.

Finally, the proposed research hypotheses were tested according to the results from the structural equation model.

5.1 DATA COLLECTION

Data was collected in four waves from different respondents as shown in Table 5.1. The first two waves i.e. pre testing & pilot studies have already been discussed in Chapter 4. During the third wave, responses were obtained from 202 patrons of luxury brands and Exploratory Factor Analysis (EFA) was performed to reduce the number of items. Data for initial refinement of the 93-item instrument was gathered from a quota sample of 202 adult respondents (18 years of age or older) in 5 different shopping malls as already explained in 3.2. The sample size of approx. 200 was chosen because other scale developers in the marketing area had used similar sample sizes to purify initial instruments containing about the same number of items (e.g., Ford, Walker, & Churchill 1974; Saxe & Weitz, 1982). The sample had almost same proportion of males (54%) and females (46%).

Table 5.1: Different Waves & Corresponding Respondents

Wave Number	Objective	Qualified Respondents
1	Pre test	50
2	Pilot Survey	100
3	Exploratory Factor Analysis (EFA)	202
4	CFA / SEM	618
	Total Number of Qualified Respondents	970

Note: Respondents are different in each wave

To further evaluate the scale and its psychometric properties, data were collected in the fourth wave. A shopping-mall sample of 18 years-of-age or older were the respondents. The sample was divided almost equally between males and females. During the fourth wave, a total of 650 responses were generated. Of these, 618 were found to be valid and used in final analysis. The remaining thirty two (32) were not considered for further analysis as they were either incomplete or were outliers.

Table 5.2 Brands Considered, Country of Origin, and Responses for Waves III & IV

S.No.	Brand	BAW	COO	Wave III		Wave IV	
				F	%	F	%
1	Louis Vuitton	68%	France	42	20.79	142	22.98
2	Gucci	72%	Italy	29	14.36	74	11.97
3	Chanel	52%	France	34	16.83	85	13.75
4	Hermès	56%	France	19	9.41	73	11.81
5	Prada	62%	Italy	23	11.39	68	11.00
6	Burberry	45%	UK	11	5.45	45	7.28
7	Dior	42%	France	10	4.95	27	4.37
8	Zegna	38%	Italy	12	5.94	22	3.56
9	Ferragamo	35%	Italy	22	10.89	82	13.27
			Total	**202**	**100**	**618**	**100**

Key: F=Frequency, BAW-Brand awareness, COO-Country of origin

Table 5.3 Sample Characteristics (N=618)

Demographic Characteristics		Wave III (N=202)		Wave IV (N=618)	
		F	%	F	%
Gender	Male	109	53.96	344	55.66
	Female	93	46.04	274	44.34
Age (years)	18 – 30	64	31.68	204	33.01
	31 – 40	62	30.69	178	28.80
	40 – 50	56	27.72	133	21.52
	51 – 60	17	8.42	87	14.08
	60-70	3	1.49	16	2.59
Education	High School	6	2.97	28	4.53
	Graduates	102	50.50	292	47.25
	Post-Graduates	88	43.56	273	44.17
	Others	6	2.97	25	4.05
Marital Status	Single	71	35.15	176	28.48
	Married with Kids	72	35.64	272	44.01
	Married no Kids	55	27.23	155	25.08
	Others	4	1.98	15	2.43
Household Annual Income (in INR)	upto10 lakhs	56	27.72	167	27.02
	between 10 lakhs-20 lakhs	63	31.19	227	36.73
	between 20lakhs-30 lakhs	45	22.28	130	21.04
	more than 30 lakhs	38	18.81	94	15.21
City-wise Breakup of Respondents	Delhi	48	23.76	140	22.65
	Gurgaon	41	20.30	143	23.14
	Noida	38	18.81	128	20.71
	Faridabad	34	16.83	102	16.50
	Chandigarh	41	20.30	105	16.99

Table 5.2 shows respondents' preference for international luxury brands in two waves i.e. III & IV. Wave III refers to the brand preference of 202 respondents – the data used for EFA whereas Wave IV refers to the same data for 618 different respondents- the data used for CFA. Demographic profile of 618 qualified respondents is shown in Table 5.3. In summary, the sample in both stages consisted of primarily young, well-educated patrons, with comparatively high dispensable income who were attracted by foreign-branded apparel products and able to afford them. Therefore, the study sample was well representative of the target consumers of international luxury apparel brands in Indian market.

The next section is divided into two parts. The first part discusses three methods viz Cronbach's reliability, exploratory factor analysis, and confirmatory factor analysis used to check the reliability & validity of instrument. The second part discusses the structural equation model to test hypotheses.

5.2 RELIABILITY & VALIDITY ANALYSIS

Three methods (Cronbach's reliability, exploratory factor analysis, and confirmatory factor analysis) were used to select and assess the final items that would be used for hypotheses testing. Purification of the instrument began with the computation of coefficient alpha (Cronbach, 1951), in accordance with Churchill's (1979) recommendation. Because of the multidimensionality of the brand equity construct, coefficient alpha was computed separately for the 11 dimensions to ascertain the extent to which items making up each dimension shared a common core. Cronbach's measure reliability coefficient was first calculated for the items of each construct. The cutoff level of reliability (0.70), recommended for theory testing research (Nunnally & Bernstein, 1994) was used for reliability analysis & is mentioned in Table 5.6 at different stages.

The items that did not significantly contribute to the reliability were eliminated for parsimony purpose. The criterion used in deciding whether to delete an item was the item's corrected item-to-total correlation (i.e., correlation between the score on the item and the sum of scores on *all other* items making up the dimension to which the item was assigned). It is recommended that the correlation exceed 0.30 (Robinson, Shaver, & Wrightsman, 1998). Those items with corrected item-to-total correlation less than 0.30 were dropped.

Table 5.4 Chronbach Alpha of Constructs in Different Stages

Construct	Stage 1 (42 items)	Stage 2 (37items)	Stage 3 (35 items)
BAW	.702	.709	.713
BAS	.716	.725	.733
BLO	.784	.798	.819
PRQ	.791	.819	.878
OBE	.782	.828	.864
PRI	.789	.829	.875
DEX	.817	.834	.861
SPO	.783	.823	.853
CEL	.795	.824	.860
SIM	.801	.814	.824
ADV	.787	.822	.861

Key: BAW: Brand Awareness; BAS: Brand Association; PRQ: Perceived Quality; OBE: Overall Brand Equity; BLO: Brand Loyalty; SPO: Event Sponsorship; CEL: Celebrity Endorsements; ADV: Advertising Expenditure; DEX: Distribution Exclusivity; PRI: Price; SIM: Store Image

Recomputation of Alpha values for the reduced sets of statements and examination of the new corrected item-to-total correlations led to further deletion of items whose elimination improved the corresponding alpha values as shown in Table 5.6. The iterative sequence of computing alphas and corrected item-to-total correlations, followed by deletion of items, was repeated several times and resulted in a set of 42 items across the 11 dimensions. This stage is referred to as Stage 1 in this chapter. Table 5.6 gives complete list of all items used in stage 1. Table 5.4 shows the Chronbach alpha of each construct in different stages while Table 5.4.1 shows the different items & codes used in subsequent sections of this chapter. Table 5.5 gives complete descriptive statistics.

Table 5.4.1: Coding Schema for Different Items

Construct	Code	Items
BAW	BAW1	This brand is very well known to me
	BAW2	I am aware of X brand
	BAW3	This brand is not known to me ®
BAS	BAS1	Some characteristics of X come to my mind quickly
	BAS2	I can quickly recall the symbol or logo of X
	BAS3	I have a clear impression of the type of people who use X brand
	BAS4	X is associated with sincerity
	BAS5	X is associated with sophistication
BLO	BLO1	X would be my first choice
	BLO2	I will not buy other brands if X is available at the store
	BLO3	I will suggest X to other consumers
PRQ	PRQ1	X is of high quality
	PRQ2	X is a brand characterised by its continuous innovation
	PRQ3	X is a quality leader within its category
	PRQ4	X appears to be of very poor quality ®.
OBE	OBE1	It makes sense to buy this brand instead of some other brand even if they are
	OBE2	Even if another brand had the same characteristics as this brand, I would rather buy this brand
	OBE3	The name X may be the primary reason to purchase X
PRI	PRI1	Price of X is low ®
	PRI2	X is expensive
	PRI3	X is cheap ®
DEX	DEX1	The number of stores selling this brand is fewer than the number of stores selling competing brands
	DEX2	X is not available in all stores
	DEX3	The distribution of X is more intensive than its competitors®
SPO	SPO1	This brand seems to invest more in sponsorship of various events than competing brands
	SPO2	I often notice this brand as a sponsor of various events
	SPO3	Compared to competing brands, I notice this brand more often as a sponsor of various events
CEL	CEL1	X doesn't use celebrity in its ads®
	CEL2	I think celebrity endorsements of X are, in general, very good
	CEL3	The celebrity endorsements for X seem very expensive compared to campaigns for competing brands
	CEL4	My opinion about X's celebrity endorsements is very high
SIM	SIM1	The stores in which I can buy X brand sell well-known brands.
	SIM2	X can be bought only in high-quality stores
	SIM3	The stores in which I can buy X brand have a pleasant shopping environment
	SIM4	The employees at the stores in which I can buy X brand are knowledgeable about fashion trends
	SIM 5	The employees at the stores in which I can buy X brand are helpful and courteous
ADV	ADV1	My opinion about X's TV advertising is very high
	ADV2	The print media ad campaigns for X seem very expensive, compared to
	ADV3	I think X brand is intensively advertised in print media
	ADV4	The print media advertising campaigns for X are seen frequently
	ADV5	I think web advertising of X is, in general, very good
	ADV6	In general, I like the web advertising campaigns for X brand

® *reverse coded*

Table 5.5 Descriptive Statistics in Different Stages

	Item Code	Stage 1 (No. of items=42)				Stage2 (No. of items=37)				Stage 3 (No. of items=35)			
		M	SD.	CIT	CID	M	SD	CIT	CID	M	SD	CIT	CID
BAW	BAW1	3.05	0.98	0.373	0.843	3.32	0.92	0.387	0.862	3.43	0.93	.394	0.870
	BAW2	2.94	0.91	0.441	0.849	3.29	0.94	0.451	0.865	3.40	0.89	.458	0.871
	BAW3	3.13	1.02	0.455	0.843	3.33	0.92	0.463	0.862	3.40	0.97	.471	0.870
BAS	BAS1	3.31	0.92	0.415	0.843	3.36	0.90	0.424	0.862	3.47	0.92	.431	0.870
	BAS2	3.26	0.90	0.426	0.843	3.34	0.88	0.433	0.862	3.52	0.87	.442	0.870
	BAS3	3.25	0.95	0.493	0.839	3.33	0.88	0.502	0.863	3.49	0.94	.509	0.869
	BAS4	2.90	0.73	0.308	0.744	3.49	0.82	0.302	0.732				
	BAS5	3.29	0.94	0.47	0.843	3.47	0.92	0.477	0.862	3.59	0.91	.486	0.870
BLO	BLO1	2.96	0.85	0.526	0.843	3.52	0.87	0.535	0.862	3.56	1.00	.542	0.870
	BLO2	2.98	0.84	0.562	0.837	3.49	0.94	0.571	0.861	3.47	1.05	.578	0.868
	BLO3	2.91	0.96	0.573	0.839	3.59	0.91	0.582	0.863	3.42	1.05	.589	0.869
PRQ	PRQ1	2.92	0.93	0.508	0.849	3.43	0.93	0.517	0.865	3.69	0.83	.524	0.871
	PRQ2	2.79	0.93	0.301	0.768								
	PRQ3	3.34	0.98	0.527	0.849	3.40	0.97	0.536	0.865	3.75	0.79	.543	0.871
	PRQ4	3.26	0.95	0.586	0.849	3.69	0.83	0.595	0.865	3.73	0.85	.602	0.871
OBE	OBE1	3.30	0.99	0.570	0.839	3.75	0.79	0.579	0.863	3.27	1.10	.586	0.869
	OBE2	3.45	1.02	0.468	0.837	3.73	0.85	0.477	0.861	3.32	1.08	.484	0.868
	OBE3	3.42	1.03	0.611	0.839	3.27	1.10	0.62	0.863	3.51	0.94	.627	0.869
PRI	PRI1	3.46	1.01	0.596	0.837	3.32	1.08	0.605	0.861	3.81	1.11	.612	0.868
	PRI2	3.46	1.07	0.561	0.843	3.51	0.94	0.57	0.862	3.80	1.07	.577	0.870
	PRI3	3.57	1.07	0.495	0.843	3.38	1.20	0.504	0.862	3.84	1.01	.511	0.870
DEX	DEX1	3.38	1.01	0.534	0.849	3.44	0.91	0.543	0.865	3.49	0.82	.550	0.871
	DEX2	3.52	1.03	0.506	0.839	3.55	0.96	0.515	0.863	3.60	0.93	.522	0.869
	DEX3	3.55	0.99	0.526	0.843	3.56	0.95	0.535	0.862	3.56	0.87	.542	0.870
SPO	SPO1	3.73	1.01	0.552	0.843	3.48	0.98	0.561	0.862	3.32	0.92	.568	0.870
	SPO2	3.67	0.98	0.637	0.843	3.56	1.00	0.646	0.862	3.29	0.94	.653	0.870
	SPO3	3.60	0.99	0.538	0.839	3.47	1.05	0.547	0.863	3.33	0.92	.554	0.869
CEL	CEL1	3.32	1.00	0.516	0.843	3.36	1.05	0.525	0.862	3.36	0.90	.532	0.870
	CEL2	3.21	0.90	0.300	0.755								
	CEL3	3.30	0.91	0.505	0.849	3.31	1.05	0.514	0.865	3.34	0.88	.521	0.871
	CEL4	3.20	0.87	0.487	0.843	3.30	1.09	0.496	0.862	3.33	0.88	.503	0.870
SIM	SIM1	3.10	0.80	0.301	.705								
	SIM2	3.28	0.91	0.546	0.843	3.81	1.11	0.555	0.862	3.85	1.04	.562	0.870
	SIM3	3.07	0.81	0.562	0.843	3.64	1.01	0.571	0.862	3.71	1.05	.578	0.870
	SIM4	3.52	1.09	0.54	0.849	3.60	1.07	0.549	0.865	3.70	1.09	.556	0.871
	SIM 5	2.51	0.98	0.310	.711	3.60	0.93	0.302	.701				
ADV	ADV1	4.05	0.66	0.541	0.843	3.56	0.87	0.552	0.862	3.38	1.20	.557	0.870
	ADV2	2.99	0.70	0.617	0.843	3.22	0.95	0.627	0.862	3.55	0.96	.632	0.870
	ADV3	3.22	0.93	0.602	0.843	3.34	0.95	0.611	0.862	3.56	0.95	.621	0.870
	ADV4	2.37	0.71	0.301	.702								
	ADV5	3.77	1.31	0.302	.704								
	ADV6	2.94	0.99	0.565	0.843	3.13	0.97	0.582	0.862	3.48	0.98	.589	0.870

Key: Cons: Construct; BAW: Brand Awareness; BAS: Brand Association; PRQ: Perceived Quality; OBE: Overall Brand Equity; BLO: Brand Loyalty; SPO: Event Sponsorship; CEL: Celebrity Endorsements ; ADV: Advertising Expenditure; DEX: Distribution Exclusivity; PRI: Price; SIM: Store Image; ; CIT: Corrected Item Total Correlation; CID: Cronbach's Alpha if Item Deleted; For information about each item with corresponding code, refer Table 5.4.1.

Table 5.6: Items Retained in Different Stages

Const.	Items	S1	S2	S3
BAW	This brand is very well known to me	√	√	√
	I am aware of X brand	√	√	√
	This brand is not known to me ®	√	√	√
BAS	Some characteristics of X come to my mind quickly	√	√	√
	I can quickly recall the symbol or logo of X	√	√	√
	I have a clear impression of the type of people who use X	√	√	√
	X is associated with sincerity	√	√	
	X is associated with sophistication	√	√	√
BLO	X would be my first choice	√	√	√
	I will not buy other brands if X is available at the store	√	√	√
	I will suggest X to other consumers	√	√	√
PRQ	X is of high quality	√	√	√
	X is a brand characterised by its continuous innovation	√		
	X is a quality leader within its category	√	√	√
	X appears to be of very poor quality ®.	√	√	√
OBE	It makes sense to buy this brand instead of some other brand even if they are the same	√	√	√
	Even if another brand had the same characteristics as this brand, I would rather buy this brand	√	√	√
	The name X may be the primary reason to purchase X	√	√	√
PRI	Price of X is low ®	√	√	√
	X is expensive	√	√	√
	X is cheap ®	√	√	√
DEX	The number of stores selling this brand is fewer than the number of stores selling competing brands	√	√	√
	X is not available in all stores	√	√	√
	The distribution of X is more intensive than its competitors®	√	√	√
SPO	This brand seems to invest more in sponsorship of various events than competing brands	√	√	√
	I often notice this brand as a sponsor of various events	√	√	√
	Compared to competing brands, I notice this brand more often as a sponsor of various events	√	√	√
CEL	X doesn't use celebrity in its ads®	√	√	√
	I think celebrity endorsements of X are, in general, very good	√		
	The celebrity endorsements for X seem very expensive compared to campaigns for competing brands	√	√	√
	My opinion about X's celebrity endorsements is very high	√	√	√
SIM	The stores in which I can buy X brand sell well-known	√		
	X can be bought only in high-quality stores	√	√	√
	The stores in which I can buy X brand have a pleasant	√	√	√
	The employees at the stores in which I can buy X brand are knowledgeable about fashion trends	√	√	√
	The employees at the stores in which I can buy X brand are helpful and courteous	√	√	
ADV	My opinion about X's TV advertising is very high	√	√	√
	The print media ad campaigns for X seem very expensive,	√	√	√
	I think X brand is intensively advertised in print media	√	√	√
	The print media advertising campaigns for X are seen	√		
	I think web advertising of X is, in general, very good	√		
	In general, I like the web advertising campaigns for X brand	√	√	√

Key: BAW: Brand Awareness; BAS: Brand Association; PRQ: Perceived Quality; OBE: Overall Brand Equity; BLO: Brand Loyalty; SPO: Event Sponsorship; CEL: Celebrity Endorsements; ADV: Advertising Expenditure; DEX: Distribution Exclusivity; PRI: Price; SIM: Store Image; S1: Stage 1 (42 items); S2: Stage 2 (37 items); S3: Stage 3 (35 items); ®: reverse coded

5.3 EXPLORATORY FACTOR ANALYSIS

Exploratory factor analysis (EFA) is a frequently used multivariate analysis technique in statistics. Jennrich and Sampson (1968) solved a significant EFA factor loading matrix rotation problem by deriving the direct Quartimin rotation. Jennrich was also the first to develop standard errors for rotated solutions although these have still not made their way into most statistical software programs. This is perhaps because Jennrichs achievements were partly overshadowed by the subsequent development of Confirmatory Factor Analysis (CFA) by Joreskog (1969). The strict requirement of zero cross-loadings in CFA, however, often does not fit the data well and has led to a tendency to rely on extensive model modification to find a well-fitting model. In such cases, searching for a well-fitting measurement model may be better carried out by EFA (Browne, 2001). Furthermore, misspecification of zero loadings usually leads to distorted factors with over-estimated factor correlations and subsequent distorted structural relations.

Determinant statistic that tests for the problem of singularity must be greater than 0.00001. In Stage 2 & Stage 3, the value of determinant was 0.000098 & 0.0001 respectively so it can be assumed that there is no singularity in the data. The Table 5.7 gives the KMO and Bartlett's statistics. Each of these assesses whether there are patterns of correlations in the data that indicate that factor analysis is suitable. The KMO ranges from 0-1, with higher values indicating greater suitability♠. Ideally this value should be greater than 0.7. In this case, the KMO value is greater than 0.7 in both stages i.e. stage 2 & 3 as shown in Table 5.7. Bartlett's statistic must also be significant and therefore it seems that this data set is suitable for factor analysis.

Table 5.7: KMO and Bartlett's Measures

		Stage 2	Stage 3
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.780	.847
Bartlett's Test of Sphericity	**Approx. Chi-Square**	6753.721	9315.857
	Df	666.000	595.000
	Sig.	.000	.000

Factor extraction is the first of two stages in factor analysis; the second being factor rotation. Extraction helps identify the number of underlying factors. We determined

♠ http://www.lifesci.sussex.ac.uk/teaching/909C8/Weeks_4-5_factor_anal.pdf this by examining the initial eigenvalues. Eigenvalues measure the amount of variation in a group of measures that is explained by a particular factor. A useful guideline is to include all factors with an eigen value greater than one.

Henry Kaiser (1960) suggested a rule for selecting a number of factors m less than the number needed for perfect reconstruction: set m equal to the number of eigenvalues greater than 1. This rule is often used in common factor analysis as well as in PCA. Several lines of thought lead to Kaiser's rule, but the simplest is that since an eigenvalue is the amount of variance explained by one more factor, it doesn't make sense to add a factor that explains less variance than is contained in one variable. First, we can retain only factors with eigenvalues greater than 1. In essence this is like saying that, unless a factor extracts at least as much as the equivalent of one original variable, we drop it. Table 5.8 shows initial eigen values for both stages i.e. Stage 2 & Stage 3.

Table 5.8 Initial Eigen Values

	Stage 2			Stage 3		
Component	Total	% of Var	Cum %	Total	% of Var	Cum %
1	7.327	20.935	20.935	6.701	18.11	18.11
2	3.72	10.63	31.565	3.783	10.225	28.335
3	2.102	6.006	37.571	3.337	9.018	37.353
4	1.933	5.522	43.093	2.713	7.334	44.686
5	1.733	4.953	48.046	2.278	6.158	50.844
6	1.609	4.596	52.642	2.114	5.713	56.557
7	1.55	4.43	57.072	2.016	5.448	62.005
8	1.468	4.194	61.267	1.798	4.86	66.865
9	1.354	3.868	65.135	1.41	3.81	70.675
10	1.121	3.202	68.337	1.34	3.621	74.295
11	1.074	3.068	71.406	1.152	3.115	77.41

Extraction Method: Principal Component Analysis.

Examining the dimensionality of the 42-item scale was the next task in this stage of scale purification and was accomplished by factor analyzing the difference scores on the 42 items. The "principal components analysis" procedure was used and the analysis was constrained *a priori* to 11 factors. The varimax rotation produced a factor-loading matrix that was by and large easy to interpret. However, several items still had high loadings on more than one factor. PCA was carried out on each scale separately to check if items of a scale loaded on one single factor. As each item deleted affects all other values, a very cautious approach was taken, deleting only one item per run, which resulted in a higher number of analysis runs. Thus, few items were dropped due to cross loadings and remaining items loaded on a single factor. The deletion of certain items necessitated the recomputation of alphas and corrected item-to-total correlations and the re-examination of the factor structure of the reduced item pool. This iterative sequence of analyses was repeated a few times and resulted in a final pool of 37 items representing 11 distinct dimensions. This stage is referred to as Stage 2 in this chapter. The high alpha values indicated good internal consistency among items within each dimension. Moreover, the combined reliability for the 37-item scale was quite high (0.873). Table 5.3 gives complete list of all items used in Stage 2.

Factor extraction helps us identify the number of underlying factors. We determined this by examining two parts of our output: the initial eigen values and the scree plot. Eigenvalues measure the amount of variation in a group of measures that is explained by a particular factor. A useful guideline is to include all factors with an eigenvalue greater than one.

The eigen values greater than 1 have been retained in Table 5.8 (already discussed in previous section). An alternative method is graphical method i.e. the scree test first proposed by Cattell (1966). Cattell named this test after the tapering "scree" or rockpile at the bottom of a landslide. In this method successive eigenvalues are plotted, and a spot is looked for in the plot where the plot abruptly levels out. A Scree Plot is a simple line segment plot that shows the fraction of total variance in the data as explained or represented by each Principal Component (PC). The PCs are ordered, and by definition are therefore assigned a number label, by decreasing order of contribution to total variance. Such a plot when read left-to-right across the abscissa can often show a clear separation in fraction of total variance where the 'most important' components cease and the 'least important' components begin. The point of separation is often called the 'elbow'. Fig 5.1a & 5.1 b clearly show the existence of 11 factors upto this 'elbow'.

Fig 5.1a Scree Plot (37 Item Scale)

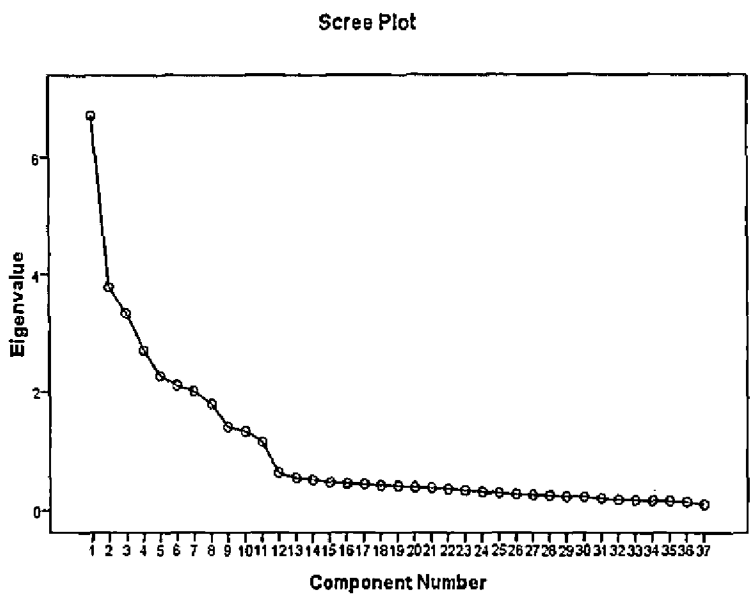
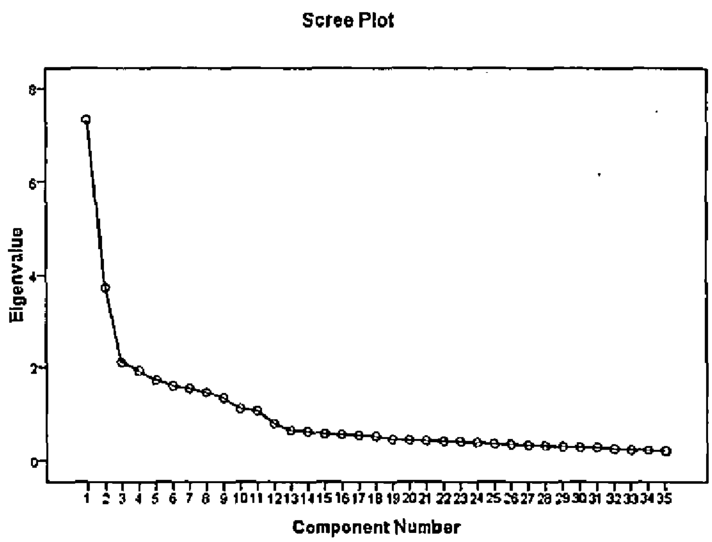


Fig 5.1b Scree Plot (35 Item Scale)



The high factor loadings in Table 5.10 show clearly defined factors. A final Principal Component Analysis confirmed the unidimensionality of each scale. Mentzer, Flint, and Kent (1999) suggested that a final scale may contain lesser, even one-fourth or one-fifth of the original items. The results of PCA further prove that the constructs possess moderate levels of convergent validity as items within a construct were found to have satisfactory loadings.

Table 5.9 Exploratory Factor Analysis (Stage 2)

Item code	Component										
	1	2	3	4	5	6	7	8	9	10	11
BAS3	**0.795**	0.042	0.086	-0.005	0.082	0.008	0.023	0.054	0.057	0.045	0.045
BAS1	**0.791**	0.063	0.076	-0.063	0.010	0.042	0.068	0.085	0.030	0.020	-0.033
BAS2	**0.741**	0.114	0.024	0.035	0.039	-0.060	0.103	0.055	0.008	-0.012	0.065
BAS4	**0.644**	0.023	0.096	-0.028	0.027	0.025	0.055	0.016	0.016	0.101	0.085
BAS5	**0.613**	0.007	-0.018	0.107	-0.021	0.126	0.071	0.029	-0.009	0.118	-0.010
ADV3	0.045	**0.756**	0.058	0.055	-0.074	0.062	0.084	-0.003	0.076	-0.023	0.053
ADV4	0.080	**0.743**	-0.007	0.084	0.034	0.062	0.031	-0.025	0.103	0.032	0.003
ADV2	0.016	**0.645**	-0.024	0.041	0.038	0.152	-0.003	0.076	0.009	0.079	0.068
ADV1	0.097	**0.628**	0.048	0.078	0.103	0.122	0.057	0.013	-0.006	0.087	0.136
SIM3	0.081	0.055	**0.745**	0.065	0.064	0.021	-0.054	0.077	-0.002	0.005	0.106
SIM2	0.084	0.038	**0.736**	-0.056	0.137	0.076	-0.008	0.039	0.017	-0.005	0.116
SIM1	0.035	0.036	**0.724**	0.079	0.140	0.018	-0.002	0.164	0.115	-0.075	0.040
SIM4	0.055	-0.080	**0.623**	-0.056	0.092	0.010	-0.029	0.111	0.034	0.063	0.329
BAW2	-0.004	0.111	-0.025	**0.738**	0.069	0.027	0.086	0.018	0.001	0.114	0.040
BAW1	0.066	0.119	0.070	**0.712**	-0.015	0.010	-0.008	0.079	0.058	0.212	-0.017
BAW3	-0.030	0.029	0.003	**0.693**	-0.050	0.191	0.066	0.042	0.102	0.238	0.058
PRI2	0.056	0.011	0.056	-0.005	**0.777**	0.041	0.065	0.105	0.050	0.040	0.104
PRI1	0.076	0.007	0.201	0.056	**0.753**	0.001	0.051	0.108	0.123	0.102	0.135
PRI3	-0.005	0.079	0.193	-0.033	**0.688**	-0.022	0.097	-0.036	0.045	0.062	0.115
OBE2	0.052	0.128	0.040	0.161	0.004	**0.789**	0.068	0.044	0.060	0.131	0.063
OBE1	0.044	0.107	0.092	0.159	-0.012	**0.781**	0.111	0.023	0.081	0.072	0.033
OBE3	0.038	0.190	0.000	-0.109	0.034	**0.759**	-0.004	0.074	0.167	0.119	0.154
CEL3	0.130	0.105	-0.059	0.059	0.084	0.014	**0.768**	0.126	0.044	0.144	0.027
CEL2	0.078	0.025	-0.082	0.086	0.006	0.050	**0.745**	0.150	0.068	0.083	0.041
CEL1	0.100	0.038	0.042	-0.002	0.121	0.101	**0.731**	0.058	0.028	0.100	-0.022
DEX3	0.088	-0.025	0.151	0.046	0.053	0.020	0.126	**0.675**	0.096	0.021	0.101
DEX1	0.029	0.048	0.102	-0.001	-0.047	0.121	0.130	**0.665**	0.020	0.022	0.055
DEX2	0.116	0.034	0.125	0.092	0.182	-0.011	0.077	**0.628**	0.078	-0.033	0.082
PRQ2	0.052	0.012	0.098	0.082	0.090	0.059	0.031	0.039	**0.791**	-0.025	0.001
PRQ3	-0.033	0.112	0.047	0.008	0.105	0.146	0.051	0.049	**0.752**	0.083	-0.001
PRQ1	0.067	0.052	0.005	0.051	0.008	0.069	0.052	0.091	**0.731**	0.027	0.134
SPO2	0.025	0.063	-0.009	0.208	0.074	0.071	0.120	-0.022	0.022	**0.754**	0.007
SPO3	0.115	-0.004	0.071	0.183	0.030	0.171	0.156	0.002	0.067	**0.721**	-0.023
SPO1	0.133	0.115	-0.079	0.163	0.097	0.080	0.067	0.030	0.002	**0.618**	-0.026
BLO3	0.015	0.129	0.196	0.020	0.092	0.031	0.049	0.088	0.021	-0.030	**0.752**
BLO1	0.107	0.084	0.088	-0.039	0.142	0.131	0.028	0.043	0.037	-0.078	**0.737**
BLO2	0.016	0.059	0.284	0.118	0.128	0.082	-0.034	0.116	0.099	0.073	**0.661**

Note: For information about each item with corresponding code, please refer to Table 5.4.1.

The next step was to evaluate the robustness of the 37-item scale. The questionnaire containing these 37 items was administered to 202 respondents (already discussed in Chapter 4). The corrected item-to-total correlations for two items and the Cronbach alphas for the corresponding dimensions were lower than those obtained from the first stage. Two items ("X is associated with sincerity", "The employees at the stores in which I can buy X brand are helpful and courteous ") with relatively low item-to-total correlations were deleted. This procedure resulted in a refined scale with 35 items spread among eleven dimensions. This stage is referred to as Stage 3 in this chapter. Finally, the combined reliability for the 35-item scale, was quite high (0.887). Table 5.10 shows the Item Statistics i.e. Mean, Std. Deviation, Corrected Item-Total Correlation, Cronbach's Alpha- if Item Deleted, Communalities & Cronbach's Alpha of each of 11 constructs. The communality represents the proportion of shared variance for each variable. So for example we can see that "I have a clear impression of the type of people who use X brand" shares 76.8% of its variance with other variables.

Factor analysis with an oblique rotation technique i.e. an orthogonal rotation technique (for more details, please refer "principal component analysis" in Chapter 3) was conducted on all 35 items (Please see Appendix B), and as intended, eleven distinct factors were found as shown in Table 5.11. This stage is referred to as Stage 3 in this chapter. Analysis with direct oblimin—a non orthogonal rotation technique (Table 5.12) also produced similar factor patterns, confirming discriminant and convergent validity of measures (Yoo *et al.*, 2000).

5.4 CONFIRMATORY FACTOR ANALYSIS

CFA was executed to estimate a measurement model using maximum likelihood method with AMOS Graphics. The CFA model consisted of 11 constructs (35 items). For the purposes of preparation and data checking the following analyses were made (Kline, 2005).

Outlier detection belongs to the most important tasks in data analysis. The outliers describe the abnormal data behavior, i.e. data which are deviating from the natural data variability. First, data were checked for the existence of univariate outliers – outliers were identified with the value of individual manifest variables outside the range of ± 3 standard deviation from the respective mean. The basis for multivariate outlier detection is the Mahalanobis distance.

Table 5.10 Item Statistics (35-Item Scale)

	ITEM	Mean	SD	CIT	CID	COM	CAC (NI)
BAS	BAS1	3.470	0.915	.431	0.870	0.768	0.733 (4)
	BAS2	3.520	0.865	.442	0.870	0.762	
	BAS3	3.490	0.942	.509	0.869	0.811	
	BAS4	3.594	0.911	.486	0.870	0.745	
BAW	BAW1	3.431	0.929	.394	0.870	0.787	0.713 (3)
	BAW2	3.401	0.894	.458	0.871	0.848	
	BAW3	3.401	0.974	.471	0.870	0.811	
PRQ	PRQ1	3.688	0.827	.524	0.871	0.734	0.878 (3)
	PRQ2	3.748	0.786	.543	0.871	0.829	
	PRQ3	3.728	0.846	.602	0.871	0.787	
OBE	OBE1	3.267	1.101	.586	0.869	0.848	0.864 (3)
	OBE2	3.317	1.078	.484	0.868	0.869	
	OBE 3	3.510	0.942	.627	0.869	0.694	
BLO	BLO1	3.564	1.002	.542	0.870	0.775	0.819 (3)
	BLO2	3.465	1.047	.578	0.868	0.665	
	BLO3	3.416	1.049	.589	0.869	0.861	
ADV	ADV1	3.376	1.204	.557	0.870	0.729	0.886 (4)
	ADV2	3.545	0.957	.632	0.870	0.757	
	ADV3	3.564	0.951	.621	0.870	0.822	
	ADV4	3.475	0.983	.589	0.870	0.772	
CEL	CEL1	3.361	0.899	.532	0.870	0.779	0.860 (3)
	CEL2	3.337	0.878	.521	0.871	0.807	
	CEL3	3.327	0.882	.503	0.870	0.836	
DEX	DEX1	3.485	0.818	.550	0.871	0.800	0.861 (3)
	DEX2	3.599	0.926	.522	0.869	0.778	
	DEX3	3.564	0.874	.542	0.870	0.825	
PRI	PRI1	3.807	1.105	.612	0.868	0.835	0.875 (3)
	PRI2	3.802	1.070	.577	0.870	0.792	
	PRI3	3.837	1.011	.511	0.870	0.807	
SIM	SIM1	3.851	1.040	.562	0.870	0.690	0.824 (3)
	SIM2	3.708	1.046	.578	0.870	0.668	
	SIM3	3.703	1.089	.556	0.871	0.688	
SPO	SPO1	3.317	0.919	.568	0.870	0.755	0.853 (3)
	SPO2	3.292	0.940	.653	0.870	0.808	
	SPO3	3.327	0.915	.554	0.869	0.783	
CEL	CEL1	3.361	0.899	.532	0.870	0.779	0.860 (3)
	CEL2	3.337	0.878	.521	0.871	0.807	
	CEL3	3.327	0.882	.503	0.870	0.836	

Key: Cons: Construct; BAW: Brand Awareness; BAS: Brand Association; PRQ: Perceived Quality; OBE: Overall Brand Equity; BLO: Brand Loyalty; SPO: Event Sponsorship; CEL:Celebrity Endorsements ; ADV: Advertising Expenditure; DEX: Distribution Exclusivity; PRI: Price; SIM: Store Image; (r): Reverse Coded; CIT: Corrected Item Total Correlation; CID: Cronbach's Alpha if Item Deleted; CAC (NI): Cronbach's Alpha of Construct (No. of Items) ; COM: Communalities

Table 5.11: Results of Exploratory Factor Analysis (35-item scale)

Item	Component										
	1	2	3	4	5	6	7	8	9	10	11
BAS3	**0.885**	0.030	0.037	0.108	0.082	0.180	0.170	-0.020	0.065	0.050	0.053
BAS1	**0.859**	0.069	0.042	0.174	0.137	0.094	0.257	-0.067	0.068	0.045	0.016
BAS2	**0.851**	0.011	0.027	0.125	0.077	0.205	0.230	-0.007	0.103	-0.035	0.118
BAS4	**0.844**	0.063	0.096	0.122	0.027	0.051	0.111	0.064	0.034	0.088	0.001
ADV3	0.063	**0.888**	0.069	0.124	0.084	0.062	0.075	0.108	0.097	0.067	0.065
ADV4	0.062	**0.860**	0.081	0.059	0.048	0.088	0.017	0.097	0.075	0.034	0.138
ADV2	0.032	**0.845**	0.075	0.112	0.080	0.061	0.108	0.114	0.050	0.101	0.142
ADV1	0.010	**0.788**	0.088	0.038	0.082	0.055	0.007	0.108	0.097	0.024	0.037
SIM3	0.113	0.032	**0.806**	0.059	0.119	0.041	0.151	0.097	0.075	0.082	0.032
SIM2	0.060	0.101	**0.785**	0.053	-0.005	0.019	0.186	0.114	0.050	0.119	-0.034
SIM1	-0.005	0.045	**0.784**	0.053	0.082	0.008	0.160	0.093	0.075	-0.005	0.110
BAW2	0.187	0.113	0.066	**0.898**	0.090	0.001	0.132	0.115	0.074	0.082	0.038
BAW1	0.110	0.078	-0.003	**0.842**	0.155	0.065	0.082	0.115	0.095	0.030	0.015
BAW3	0.182	0.103	0.032	**0.833**	0.103	0.138	0.119	0.116	0.102	0.052	0.063
PRI2	0.093	0.069	0.087	0.008	**0.877**	0.142	-0.005	0.040	0.031	0.078	0.056
PRI1	0.081	0.088	0.084	0.068	**0.853**	0.037	0.082	0.045	0.093	0.045	0.028
PRI3	0.083	0.039	0.101	0.026	**0.847**	0.032	0.049	0.038	0.011	0.057	0.047
OBE2	0.149	0.059	0.068	0.095	0.107	**0.889**	0.132	0.055	0.040	0.073	0.047
OBE1	0.237	0.125	0.009	0.049	0.073	**0.881**	0.126	0.041	0.054	0.049	0.025
OBE3	0.083	0.032	0.079	0.132	0.131	**0.779**	0.165	0.019	0.046	0.131	0.104
CEL3	0.262	0.046	-0.011	0.126	0.107	0.097	**0.869**	0.008	0.019	0.060	-0.013
CEL2	0.244	0.070	0.046	0.165	0.103	0.117	**0.865**	0.028	0.050	0.033	0.021
CEL1	0.222	0.092	0.007	0.122	0.059	0.100	**0.853**	0.031	0.063	0.144	0.042
DEX3	0.032	0.147	0.151	-0.012	0.008	-0.007	-0.064	**0.867**	0.057	0.088	0.081
DEX1	0.002	0.089	0.186	0.039	0.056	0.043	0.008	**0.865**	0.054	0.064	0.075
DEX2	-0.056	0.095	0.160	0.103	0.060	0.029	0.008	**0.828**	-0.004	0.055	0.085
PRQ2	0.078	0.119	0.132	0.022	0.038	0.052	0.044	0.168	**0.892**	0.074	0.111
PRQ3	0.102	0.043	0.090	0.023	0.059	0.052	0.027	0.171	**0.852**	0.086	0.130
PRQ1	0.055	0.063	0.155	0.096	0.053	0.028	0.033	0.199	**0.830**	0.140	0.073
SPO2	0.033	0.069	0.103	0.044	0.053	0.084	0.022	0.048	0.087	**0.857**	0.105
SPO3	0.084	0.117	0.031	0.031	0.041	0.025	0.096	0.082	0.064	**0.820**	0.012
SPO1	0.012	-0.005	0.074	0.069	0.079	0.113	0.079	0.051	0.112	**0.818**	0.083
BLO3	0.061	0.158	0.078	-0.001	-0.019	0.061	-0.009	0.041	0.096	0.126	**0.850**
BLO1	0.030	0.066	0.042	0.041	0.093	0.059	0.027	0.203	0.035	0.013	**0.837**
BLO2	0.048	0.089	0.019	0.060	0.050	0.036	0.026	-0.018	0.150	0.063	**0.716**

Note: For information about each item with corresponding code, refer Table 5.4.1.
Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization.

Table 5.12: Results of Exploratory Factor Analysis (35-item scale)

Item	Component										
	1	2	3	4	5	6	7	8	9	10	11
BAS3	**0.852**	0.266	0.037	0.192	-0.224	0.098	-0.374	0.115	0.127	0.072	-0.150
BAS1	**0.835**	0.261	0.042	0.199	-0.295	0.140	-0.283	0.077	0.112	0.086	-0.219
BAS2	**0.811**	0.270	0.027	0.272	-0.339	0.206	-0.243	0.141	0.188	0.050	-0.230
BAS4	**0.802**	0.251	0.096	0.185	-0.285	0.251	-0.268	0.272	0.110	0.105	0.189
ADV3	0.080	**0.838**	0.069	0.235	-0.326	0.194	-0.244	0.252	0.126	0.114	0.225
ADV4	0.104	**0.806**	0.081	0.159	-0.280	0.195	-0.273	0.206	0.180	0.100	0.201
ADV2	0.108	**0.745**	0.075	0.207	0.080	0.061	-0.194	0.112	0.083	0.191	0.149
ADV1	0.135	**0.718**	0.088	0.154	0.082	0.055	-0.216	0.154	0.038	0.337	-0.145
SIM3	0.157	0.280	**0.826**	0.173	0.119	0.041	-0.085	0.181	0.077	0.120	-0.141
SIM2	0.170	0.090	**0.758**	0.102	-0.005	0.204	-0.043	0.151	0.093	0.169	-0.172
SIM1	0.151	0.157	**0.748**	0.053	0.082	0.173	-0.099	0.162	0.127	0.201	-0.142
BAW2	0.792	0.380	0.160	**0.789**	0.090	0.135	-0.142	0.160	0.107	0.181	-0.116
BAW1	0.104	0.360	0.178	**0.742**	0.155	0.124	-0.140	0.164	0.083	0.113	-0.206
BAW3	0.095	0.340	0.181	**0.721**	0.103	0.160	-0.123	0.171	0.189	0.175	-0.167
PRI2	0.129	0.161	0.140	0.175	**0.821**	0.137	-0.146	0.179	0.182	0.204	-0.127
PRI1	0.156	0.090	0.084	0.163	**0.802**	0.037	-0.118	0.182	0.176	0.247	-0.139
PRI3	0.137	0.152	0.101	0.130	**0.745**	0.032	-0.140	0.147	0.171	0.269	-0.084
OBE2	0.168	0.142	0.258	0.152	-0.105	**0.788**	-0.137	0.075	0.091	0.235	-0.114
OBE1	0.183	0.244	0.197	0.216	-0.123	**0.781**	0.126	0.126	0.041	0.263	-0.138
OBE3	0.437	0.245	0.231	0.161	-0.074	**0.749**	0.165	0.090	0.097	0.131	-0.177
CEL3	0.429	0.231	0.201	0.120	-0.177	0.057	**0.692**	0.008	0.118	0.060	-0.129
CEL2	0.398	0.112	0.254	0.167	-0.118	0.127	**0.657**	0.028	0.050	0.033	-0.359
CEL1	0.319	0.124	0.224	0.136	-0.111	0.145	**0.653**	0.031	0.158	0.324	-0.357
DEX3	0.322	0.087	0.229	0.170	-0.114	0.129	-0.374	**0.767**	0.258	0.321	-0.237
DEX1	0.246	0.093	0.182	0.183	-0.265	0.225	-0.283	**0.765**	0.191	0.275	-0.214
DEX2	-0.008	0.068	0.078	0.220	-0.118	0.129	-0.243	**0.718**	0.251	0.021	-0.233
PRQ2	0.042	0.053	0.106	0.233	-0.141	0.158	-0.268	0.100	**0.792**	0.089	-0.215
PRQ3	0.038	0.019	0.168	0.193	-0.231	0.105	-0.244	0.028	**0.752**	0.124	-0.172
PRQ1	0.068	-0.036	0.133	0.230	-0.245	0.156	-0.273	0.088	**0.703**	0.148	-0.214
SPO2	0.152	-0.018	0.078	0.268	-0.173	0.176	-0.194	0.046	0.192	**0.757**	-0.133
SPO3	0.112	0.011	0.132	0.222	-0.138	0.161	-0.216	0.081	0.234	**0.712**	-0.215
SPO1	0.078	-0.006	0.134	0.146	-0.091	0.087	-0.085	0.117	0.239	**0.708**	-0.162
BLO3	0.874	0.089	0.170	0.119	-0.105	0.161	-0.043	0.054	0.094	0.062	**0.705**
BLO1	0.030	0.104	0.118	0.186	-0.257	0.200	-0.099	0.293	0.066	-0.007	**0.627**
BLO2	0.048	0.104	0.222	0.127	-0.189	0.115	-0.142	0.285	0.184	0.095	**0.616**

Note: For information about each item with corresponding code, refer Table 5.4.1

Principal Component Analysis; Rotation Method: Oblimin with Kaiser Normalization.

The standard method for multivariate outlier detection is robust estimation of the parameters in the Mahalanobis distance and the comparison with a critical value of the $\chi 2$ distribution (Rousseeuw & Van Zomeren, 1990). Then data were checked for the existence of multivariate outliers by calculating Mahalanobis distances at a conservative significance level ($p<0.001$).As a result 14 outliers were eliminated.

A fundamental task in many statistical analyses is to characterize the location and variability of a data set. A further characterization of the data includes skewness and kurtosis. Skewness is a measure of symmetry, or more precisely, the lack of symmetry. A distribution, or data set, is symmetric if it looks the same to the left and right of the center point. Kurtosis is a measure of whether the data are peaked or flat relative to a normal distribution. That is, data sets with high kurtosis tend to have a distinct peak near the mean, decline rather rapidly, and have heavy tails. Data sets with low kurtosis tend to have a flat top near the mean rather than a sharp peak. According to Bagozzi and Yi (1998), one of the fist things that should be done in the evaluation of model is assessment of the adequacy of input data and statistical assumption underlying any estimation methods used in analysis. The estimation of parameters requires continuous data with normal distribution.

A common rule-of-thumb test for normality is to run descriptive statistics to get skewness and kurtosis. Skew should be within the +2 to -2 range when the data are normally distributed. Kurtosis also should be within the +2 to -2 range when the data are normally distributed. The values of skew and kurtosis of all 35 items in this study are within +2 to -2 range (see Table 5.13). That means they are normally distributed.

Table 5.13 Skewness & Kurtosis

SNo	Item	Skew	Kurtosis
1	Even if another brand had the same characteristics as this brand, I would rather buy this brand	-0.203	-0.503
2	It makes sense to buy this brand instead of some other brand even if they are the same	-0.198	-0.625
3	If another brand is not different from X in any way, it would still seem smarter to buy this brand X	-0.527	-0.281
4	The stores in which I can buy X brand have a pleasant shopping	-0.37	-0.356
5	The employees at the stores in which I can buy X brand are knowledgeable about fashion trends	-0.417	-0.132
6	X can be bought only in high-quality stores	-0.468	-0.233
7	Compared to competing brands, I notice this brand more often	-0.263	-0.335
8	This brand seems to invest more in sponsorship of various	-0.192	-0.434
9	I often notice this brand as a sponsor of various events	-0.338	-0.248
10	The celebrity endorsements for X seem very expensive compared to campaigns for competing brands	-0.159	-0.648
11	My opinion about X's celebrity endorsements is very high	-0.179	-0.445
12	X is expensive	-0.356	-0.439
13	The number of stores selling this brand is fewer than the number of stores selling competing brands.	-0.442	-0.372
14	The distribution of X is more intensive than its competitors®	-0.475	-0.298
15	X is not available in all stores	-0.393	-0.424
16	Price of X is low®	-0.048	-0.510
17	Some characteristics of X come to my mind quickly	-0.300	-0.221
18	X doesn't use celebrity in its ads®	-0.269	-0.279
19	My opinion about X's TV advertising is very high	-0.057	-0.413
20	The print ad campaigns for X seem very expensive, compared to campaigns for competing brands	-0.075	-0.649
21	In general, I like the web advertising campaigns for X brand	-0.014	-0.521
22	I think X brand is intensively advertised in print media	-0.16	-0.356
23	X is cheap ®	-0.485	-0.286
24	I can quickly recall the symbol or logo of X	-0.473	-0.083
25	X is associated with sophistication	-0.348	-0.548
26	I have a clear impression of the type of people who use X brand	-0.599	-0.054
27	X would be my first choice	-0.396	-0.499
28	I will not buy other brands if X is available at the store	-0.407	-0.372
29	I will suggest X to other consumers	-0.478	-0.194
30	X is a brand characterised by its continuous innovation	-0.283	-0.457
31	X appears to be of very poor quality ®.	-0.377	-0.296
32	X is of high quality	-0.294	-0.345
33	This brand is not known to me ®	-0.265	-0.241
34	This brand is very well known to me	-0.31	-0.461
35	I am aware of X brand	-0.305	-0.326

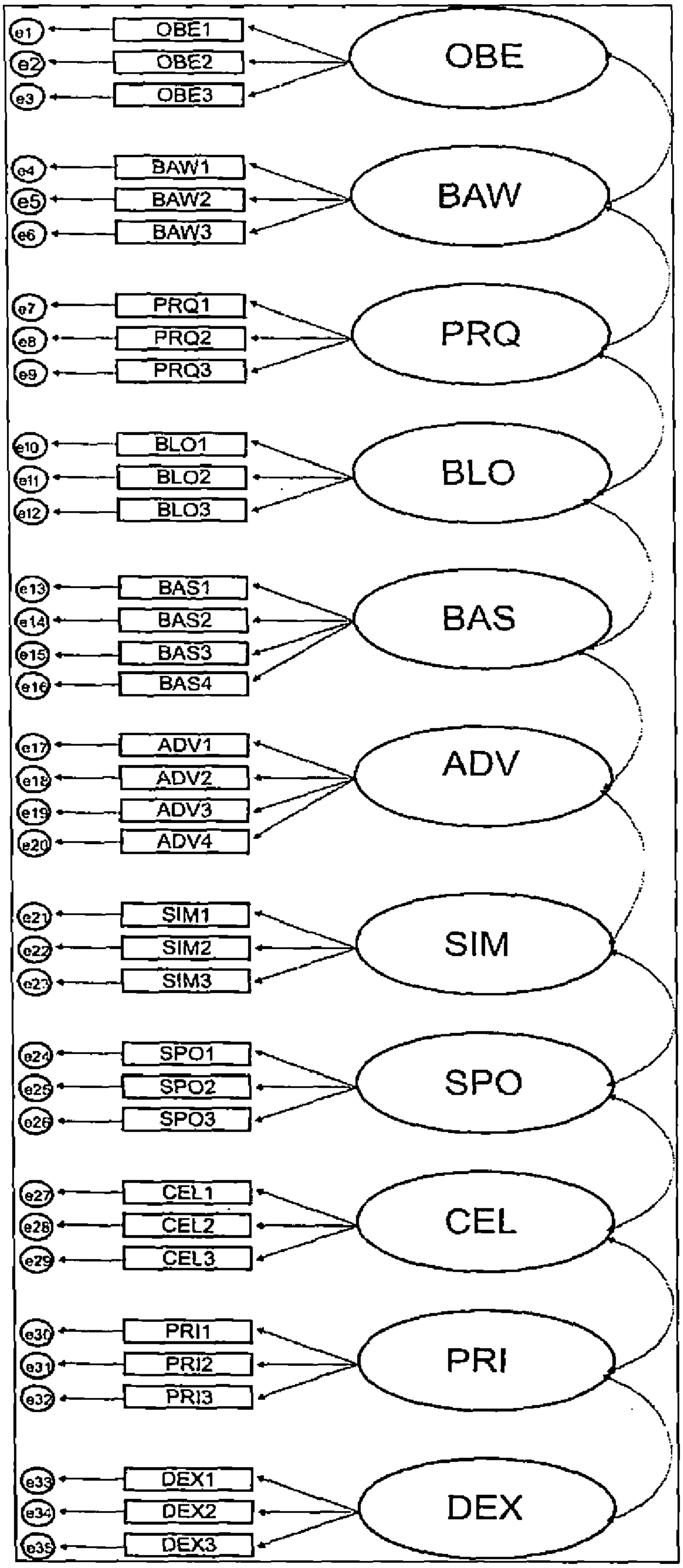
®: reverse coded

5.4.1 Measurement Model for Validity Assessment

Confirmatory factor analysis using structural equations modelling was used for testing the multidimensionality of the consumer-based brand equity construct. Confirmatory factor analysis is a relevant technique for the validation of scales for the measurement of constructs (Steenkamp & van Trijp, 1991). The 35 items obtained from the exploratory factor analysis of the original pool of brand equity & marketing efforts measures served as indicator variables in the confirmatory factor analysis. As shown in the path diagram , four indicator variables were available for each of the constructs i.e. brand associations (BAS1, BAS2,BAS3, BAS4) and advertising expenditure (ADV1, ADV2, ADV3, ADV4). Three indicator variables were the principal descriptors of all other constructs i.e. brand awareness, brand loyalty, perceived quality, overall brand equity, event sponsorship, celebrity endorsement, price, distribution exclusivity etc. . One loading per construct was set to the value of 1.0, to make each construct scale invariant. All the variables were measured on a scale of 1 to 5. Each consumer-based brand equity & marketing effort dimension was operationalised as the average of the consumer's rating of the Likert-type items loading on it.

The measurement model was estimated using the maximum likelihood estimation method, the most commonly used approach in structural equation modelling (Chou & Bentler, 1995) which is known to perform reasonably well under a variety of less-than-optimal conditions such as small sample sizes or excessive kurtosis (Hoyle & Panter, 1995).

Fig 5.2 Multidimensionality Assessment of CBBE Construct



Note: For information about each item with corresponding code, refer Table 5.4.1.

5.5 ASSESSMENT OF VALIDITY

Validity assessment involves demonstrating that the theoretical construct supposedly being measured is actually being measured by the empirical indicator(s). "Validity'" is usually preceded by an adjective (such as "construct" or "discriminant") that indicates what type of validity is being assessed. Validity refers to that a research measures what it in fact is intended to measure, while reliability, on the other hand, refers to that the results obtained from a research will be reliable also after repeated measures or after measures made by someone else then the original researcher. There are several ways to assure and improve validity and reliability of a study and it is vital that this is done since it is important that all studies made fulfil the criteria of a valid and reliable research (Wrenn *et al.*, 2002, 122-126).

5.5.1 Construct Validity

Probably the most important type of validity is construct validity. Construct validity can be thought of as the degree of correspondence between a construct and is operationalizations, where that correspondence is evaluated within a nomological net (i.e., within a theoretical context). Scale's high reliabilities and consistent factor structures across several independent samples provide support for its trait validity (Campbell, 1960; Peter, 1981). However, while high reliabilities and internal consistencies are necessary conditions for a scale's construct validity—the extent to which a scale fully and unambiguously captures the underlying, unobservable, construct it is intended to measure—they are not sufficient (Churchill, 1979). The scale must satisfy certain other conceptual and empirical criteria to be considered as having good construct validity. The basic conceptual criterion pertaining to construct validity is face or content validity. It answers questions such as: Does the scale appear to measure what it is supposed to? Do the scale items capture key facets of the unobservable construct being measured?

Correlational or convergent analysis is one way of establishing construct validity. Correlational analysis assesses the degree to which two measures of the same concept are correlated. High correlations indicate that the scale is measuring its intended concept (Hair *et al.*, 2006). The *Pearson Product-Moment Correlation Coefficient* (r), or correlation coefficient for short *is a measure of the degree of linear relationship* *between two variables*, usually labeled X and Y. While in regression the emphasis is on predicting one variable from the other, in correlation the emphasis is on the degree to which a linear model may describe the relationship between two variables. In regression the interest is directional, one variable is predicted and the other is the predictor; in correlation the interest is non-directional, the relationship is the critical aspect. Most of the items in 35-item scale were found to be highly correlated with each other (Please refer to Appendiix B).

It is important to note that an evaluation of the construct validity[91] involves assessing:

1. Unidimensionality and reliability, which are necessary prerequisites;
2. Convergent validity;
3. Discriminant validity; and
4. Nomological validity

Convergent and discriminant validities are often evaluated together. One of the early and still classic ways of investigating convergent and discriminant validities is Campbell and Fiske's (1959) multitrait-multimethod approach. This approach is based on an analysis of the correlations among indicators of different constructs along four criteria. The four criteria may lead to different conclusions about overall validity. The basic idea is that the correlations among indicators of the same construct should be (1) "sufficiently" different from zero and (2) greater than the correlations with indicators of different constructs. A more sophisticated approach to evaluating convergent and discriminant validities is confirmatory factor analysis, using AMOS, for example. This approach has the advantage of allowing an overall inference about validity, as well as simultaneously giving estimates of indicator and composite reliabilities.

The final common criterion for construct validity is *nomological validity*, or the degree to which the construct as measured by a set of indicators predicts other constructs that past theoretical and empirical work says it should predict. Suppose a researcher proposes an entirely new way to measure manufacturing flexibility and has demonstrated reliability, unidimensionality, and convergent and discriminant validities. However, this new construct is not related to other constructs in established ways that past research strongly supports. ``Lack of nomological validity" in this case is an expression of the intuitively appealing idea that the new construct is suspect: although past measurement could be faulty or so-called established relationships could

[91] http://www.decisionsciences.org/decisionline/vol28/28_1/research.htm

be wrong, the burden of proof is on the researcher proposing the new way to measure the construct.

Assessing a scale's content validity is necessarily qualitative rather than quantitative. It involves examining two aspects: (1) the thoroughness with which the construct to be scaled and its domain were explicated and (2) the extent to which the scale items represent the construct's domain. As discussed in earlier sections, the procedures used in developing this scale satisfied both these evaluative requirements. Therefore, the scale can be considered to possess content validity. The scale's validity was also assessed empirically by examining its convergent validity

Convergent Validity: Unidimensionality is evidence that a single trait or construct underlies a set of measures (Anderson & Gerbing, 1988). This unidimensionality check updates the preceding paradigm of scale development and construct validity. Unidimensionality means "an assumption underlying the calculation of reliability and is demonstrated when the indicators of construct have acceptable fit on a single-factor (one-dimension) model" (Hair *et al.*, 1998). Although all latent variables in this study demonstrated acceptable reliability with Cronbach's alpha, the Cronbach's alpha might not be sufficient when unidimensionality is considered (Hair *et al.*, 1998). In that situation, Cronbach's alpha does not guarantee validity. Convergent validity (or composite reliability) should therefore be considered. Convergent validity, according to Campbell and Fiske (1959), is when, in the presence of other scale items for other constructs, the scale items in a given construct move in the same direction (for reflective measures) and thus highly correlate. This differs from reliability in that tests of reliability include only the scale items for a single construct and are not compared to other constructs.

Specifically, confirmatory factor analysis was used to detect the unidimensionality of each construct. For the unidimensionality check, a measurement model was set to have eleven factors (latent variables). One latent variable per indicator was allowed. Each item was prescribed to be loaded on one specific latent variable; thus, a perceived quality item was related to the perceived quality factor and not to any other factor. A completely standardized solution produced by the AMOS maximum likelihood method (Joreskog & Sorbom, 1993) showed that all 35 items were loaded highly on their corresponding factors, which supported the independence of the constructs and provided strong empirical evidence of their validity. The clean factor patterns shown in the exploratory factor analysis were consistently found in confirmatory factor analysis.

Overall fit statistics (Table 5.14) of the measurement model were as follows: Goodness-of Fit Index (GFI) and Adjusted Goodness-of-Fit Index (AGFI) were .937and .921, respectively; comparative goodness-of-fit indexes were .923, .975, .975 in Normed Fit Index (NFI),Comparative Fit Index (CFI), and Incremental Fit Index (IFI), respectively; Root Mean Square Error of Approximation (RMSEA) was .029; and Root Mean Square Residual (SRMR) was .034. These indicated a reasonable level of fit of the model.

A Chi-square (χ^2) value of 729.1 with a degree of freedom of 505 for the measurement model was found. The p value of χ^2 was equal to 0.00, which does not meet the criteria for a fit model ($P \geq 0.05$). However, it was accepted that χ^2 is not an appropriate criterion for a study that has a large sample size (Browne & Cudeck, 1993), and that χ^2 becomes more sensitive as the number of indicators rises (Hair *et al.*, 1998). This study had a large sample size (618 valid respondents) and a large number of indicators (35 items), so χ^2 was not an appropriate testing criterion for model fit for this study. Since other fitness indices met the recommended minimum values as well, the measurement model of this study had an acceptable level of fitness.

To test the reliability of the constructs, reviewers suggest to report composite reliability (CR) and Average Variance extracted (AVE) instead of Cronbach-alpha (internal consistency of measures). Since AMOS does not directly calculate the composite reliability & average variance extracted, they were calculated through spreadsheet by using the formula in Appendix A.

Table 5.14: Fit Statistics of the Measurement Model

Fit Index	Recommended Value & Source	Observed Value	Fit
CMIN	p>=0.05 (Hooper *et al.*, 2008)	0.00	No
CMIN/DF	<=3.0 (Kline, 2005)	1.444	Yes
	<=2.0 (Tabachnik & Fidell, 2007)	1.444	Yes
Goodness-of Fit Index (GFI)	>=0.90 (Hooper *et al* ,2008)	.937	Yes
Adjusted Goodness-of-Fit Index (AGFI)	>0.90 (Bentler & Bonett, 1980)	.921	Yes
Normed Fit Index (NFI)	>=0.95 (Hu & Bentler, 1999)	.923	Yes
Comparative Fit Index (CFI)	>0.90 (Bentler & Bonett, 1980)	.975	Yes
Incremental Fit Index (IFI)	>0.90	.975	Yes
Root Mean Square Error of Approximation (RMSEA)	<0.07 (Steiger, 2007)	.029	Yes
Root Mean Square Residual (RMR)	<0.08 (Hu & Bentler, 1999)	.034	Yes

As reported in Table 5.15, the composite scale reliability and the average variance extracted for each construct were quite satisfactory (Fornell & Larker, 1981). The composite reliability, an internal consistency reliability measure as evidence of convergent validity computed from AMOS solutions, ranged from 0.705 to 0.871. The average variance extracted for each construct ranged from 0.519 to 0.687, exceeding the acceptable level of 0.50. AVE varies from 0 to 1, and it represents the ratio of the total variance that is due to the latent variable.

Table 5.15 CR & AVE of Different Constructs

Construct	CR*	AVE**
Brand awareness	0.737	0.584
Perceived Quality	0.868	0.687
Brand Loyalty	0.830	0.619
Brand association	0.871	0.631
Advertising expenditure	0.741	0.519
Celebrity endorsement	0.800	0.573
Distribution Exclusivity	0.840	0.637
Price	0.838	0.633
Event Sponsorship	0.820	0.603
Store Image	0.705	0.545
Brand equity	0.842	0.640

**CR refers to Composite Reliability; ** AVE refers to Average Variance Extracted*

According to Bagozzi (1994), a variance extracted of greater than 0.50 indicates that the validity of both the construct and the individual variables is high. In summary; the selected items made reliable and valid measures for the eleven research constructs.

Discriminant Validity: In addition to convergent validity, discriminant validity analysis also needed to be considered in this study. This refers to the principle that the indicators for different constructs should not be so highly correlated as to lead one to conclude that they measure the same thing. The discriminant validity of the measures—the degree to which items differentiate among constructs or measure distinct concepts—is assessed by examining the correlations between the measures of potentially overlapping constructs. Items should load more strongly on their own constructs in the model, and the average variance shared between each construct and its measures should be greater than the variance shared between the construct and other constructs (Compeau, Higgins, & Huff, 1999).

The method for evaluating discriminant validity proposed by Fornell and Larcker (1981) states that the squared correlations between the constructs should be less than the variance explained by each construct. We found that most of the constructs had a good level of discriminant validity. In Table 5.17, the diagonal row demonstrates variance extracted of each individual construct that could be used to compare with its correlations to the other constructs of checking discriminate validity (Fornell & Larcker, 1981). Table 5.16 shows Correlations among different Constructs used in the study. This data helps in building Table 5.17.

Nomological Validity: It is desired to test the instrument's nomologic validity (nomological validity defined as the extent to which scale scores relate to other variables as would be predicted theoretically). The *nomological network* is an idea that was developed by Lee Cronbach and Paul Meehl in 1955 (Cronbach & Meehl, 1955) as part of the American Psychological Association's efforts to develop standards for psychological testing. The term "nomological" is derived from Greek and means "lawful", so the nomological network can be thought of as the "lawful network". The nomological network was Cronbach and Meehl's view of construct validity. That is, in order to provide evidence that your measure has construct validity, Cronbach and Meehl argued that you had to develop a nomological network for your measure. We have proposed two new constructs i.e. Celebrity endorsements, Event Sponsorships – the items for each of them have been adapted with minor changes from advertising expenditure scales. We analysed the causal relationship existing between these dimensions and three observable variables (based on literature review in Chapter 2): Perceived quality (The event sponsorship campaigns/ celebrity endorsements used for the brand will lead to better Perceived quality of a brand), Brand awareness (The event sponsorship campaigns/ celebrity endorsements used for the brand will lead to better Brand awareness of a brand) & Brand associations (The event sponsorship campaigns/ celebrity endorsements used for the brand will lead to better Brand associations of a brand). The aim is to study the nomological validity and thus contribute additional data that demonstrate the construct validity of the scale (Peter & Churchill, 1986). In this way, we then estimated the causal model that considers Perceived quality, Brand awareness & Brand associations as dependent variables of the two dimensions i.e. Celebrity endorsements, Event Sponsorships. Overall fit statistics (Table 5.18) of the measurement model indicated a reasonable level of fit of the model. It has been observed that the event sponsorship campaigns and celebrity endorsements have a positive influence on the variables perceived quality, brand awareness & brand associations i.e. these variables are significantly and positively related as shown in Table 5.19 and hence confirming the nomological validity.

Table 5.16 Correlations Among Constructs

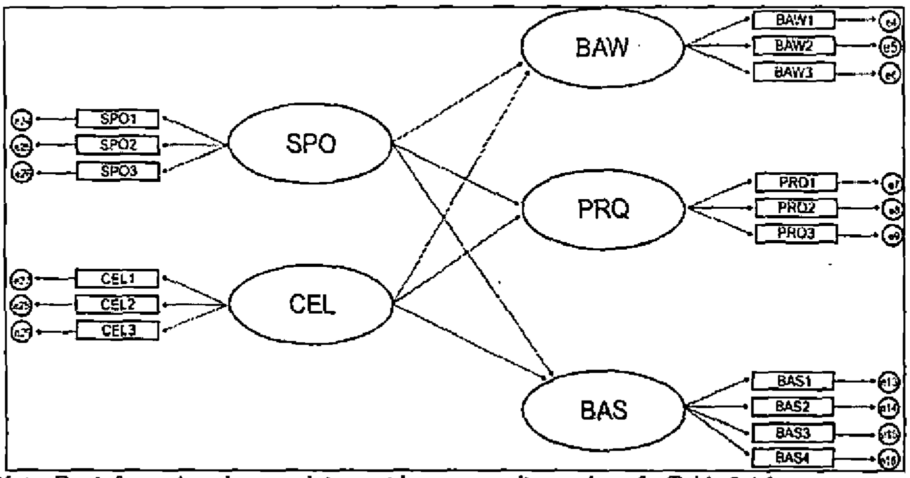
Constructs			Estimate	Squared
Distribution Exclusivity	↔	Store Image	0.44	0.194
Celebrity Endorsements	↔	Distribution Exclusivity	0.175	0.031
Celebrity Endorsements	↔	Event Sponsorships	0.385	0.148
Advertising Spend	↔	Event Sponsorships	0.214	0.046
Price	↔	Store Image	0.142	0.020
Distribution Exclusivity	↔	Price	-0.002	0.000
Celebrity Endorsements	↔	Price	0.555	0.308
Price	↔	Event Sponsorships	0.304	0.092
Advertising Spend	↔	Price	0.46	0.212
Celebrity Endorsements	↔	Store Image	0.201	0.040
Event Sponsorships	↔	Store Image	0.172	0.030
Advertising Spend	↔	Store Image	0.134	0.018
Distribution Exclusivity	↔	Event Sponsorships	0.118	0.014
Advertising Spend	↔	Distribution Exclusivity	0.107	0.011
Advertising Spend	↔	Celebrity Endorsements	0.4	0.160
Brand Awareness	↔	Price	0.268	0.072
Price	↔	Overall Brand Equity	0.158	0.025
Perceived Quality	↔	Price	0.338	0.114
Brand Loyalty	↔	Price	0.105	0.011
Brand Association	↔	Price	0.03	0.001
Brand Awareness	↔	Store Image	0.221	0.049
Store Image	↔	Overall Brand Equity	0.161	0.026
Perceived Quality	↔	Store Image	0.315	0.099
Brand Loyalty	↔	Store Image	0.325	0.106
Brand Association	↔	Store Image	0.442	0.195
Brand Awareness	↔	Distribution Exclusivity	0.26	0.068
Distribution Exclusivity	↔	Overall Brand Equity	0.298	0.089
Perceived Quality	↔	Distribution Exclusivity	0.241	0.058
Brand Loyalty	↔	Distribution Exclusivity	0.379	0.144
Brand Association	↔	Distribution Exclusivity	0.621	0.386
Brand Awareness	↔	Celebrity Endorsements	0.35	0.123
Perceived Quality	↔	Celebrity Endorsements	0.301	0.091
Celebrity Endorsements	↔	Overall Brand Equity	0.208	0.043
Brand Loyalty	↔	Celebrity Endorsements	0.212	0.045
Brand Association	↔	Celebrity Endorsements	0.244	0.060
Brand Awareness	↔	Event Sponsorships	0.3	0.090
Perceived Quality	↔	Event Sponsorships	0.366	0.134
Event Sponsorships	↔	Overall Brand Equity	0.185	0.034
Brand Association	↔	Event Sponsorships	0.195	0.038
Brand Loyalty	↔	Event Sponsorships	0.238	0.057
Brand Awareness	↔	Advertising Spend	0.273	0.075
Perceived Quality	↔	Advertising Spend	0.245	0.060
Advertising Spend	↔	Overall Brand Equity	0.293	0.086
Brand Loyalty	↔	Advertising Spend	0.19	0.036
Brand Association	↔	Advertising Spend	0.175	0.031
Brand Awareness	↔	Overall Brand Equity	0.238	0.057
Brand Awareness	↔	Perceived Quality	0.262	0.069
Brand Awareness	↔	Brand loyalty	0.3	0.090
Brand Awareness	↔	Brand association	0.195	0.038
Brand Association	↔	Overall Brand Equity	0.291	0.085
Brand Loyalty	↔	Overall Brand Equity	0.335	0.112
Perceived Quality	↔	Overall Brand Equity	0.237	0.056
Perceived Quality	↔	Brand association	0.205	0.042
Perceived Quality	↔	Brand loyalty	0.257	0.066
Brand Loyalty	↔	Brand association	0.462	0.213

Table 5.17 Diagonal Matrix

Con	BAW	PRQ	BLO	BAS	ADV	CEL	DEX	PRI	SPO	SIM	OBE
BAW	0.484										
PRQ	0.069	0.687									
BLO	0.090	0.066	0.619								
BAS	0.038	0.042	0.213	0.631							
ADV	0.075	0.060	0.036	0.031	0.419						
CEL	0.123	0.091	0.045	0.060	0.160	0.573					
DEX	0.068	0.058	0.144	0.386	0.011	0.031	0.637				
PRI	0.072	0.114	0.011	0.001	0.212	0.308	0.000	0.633			
SPO	0.090	0.134	0.057	0.038	0.046	0.148	0.014	0.092	0.603		
SIM	0.049	0.099	0.106	0.195	0.018	0.040	0.194	0.020	0.030	0.445	
OBE	0.057	0.056	0.112	0.085	0.086	0.043	0.089	0.025	0.034	0.026	0.640

Key: BAW- Brand awareness; PRQ -Perceived Quality; BLO- Brand Loyalty ; BAS- Brand association; ADV-Advertising expenditure ; CEL-Celebrity endorsement ; DEX-Distribution Exclusivity ; PRI-Price ; SPO-Event Sponsorship ; SIM-Store Image; Overall Brand equity OBE; Con: Construct

Fig 5.3 Nomological Validity Measurement Model



Note: For information about each item with corresponding code, refer Table 5.4.1.

Table 5.18: Fit Statistics of the Measurement Model

Fit Index	Recommended Value & Source	Observed Value	Fit
CMIN	p>=0.05 (Hooper *et al.*, 2008)	.001	No
CMIN/DF	<=3.0 (Kline, 2005)	1.510	Yes
	<=2.0 (Tabachnik & Fidell, 2007)	1.510	Yes
Goodness-of Fit Index (GFI)	>=0.90 (Hooper *et al*, 2008)	.971	Yes
Adjusted Goodness-of-Fit Index (AGFI)	>0.90 (Bentler & Bonett, 1980)	.959	Yes
Normed Fit Index (NFI)	>=0.95 (Hu & Bentler, 1999)	.962	Yes
Comparative Fit Index (CFI)	>0.90 (Bentler & Bonett, 1980)	.987	Yes
Incremental Fit Index (IFI)	>0.90	.987	Yes
Root Mean Square Error of Approximation (RMSEA)	<0.07 (Steiger, 2007)	.029	Yes
Root Mean Square Residual (RMR)	<0.08 (Hu & Bentler, 1999)	.031	Yes

Table 5.19: Significance of Predictor Variables in Nomological Validity

Constructs			Estimate	P
BAW	←	CEL	.268	***
BAS	←	CEL	.257	***
BAW	←	SPO	.193	***
PRQ	←	SPO	.340	***
BAS	←	SPO	.164	.013
PRQ	←	CEL	.238	***

**** significant at .001 level*

5.6 STRUCTURAL MODEL

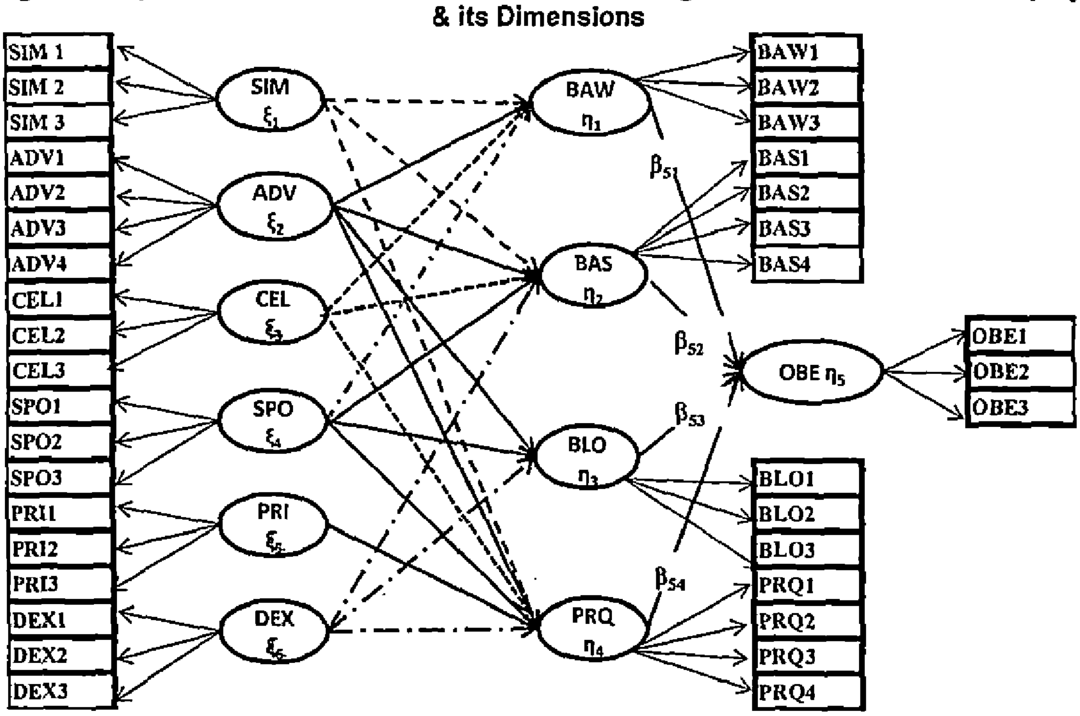
This section discusses the relationship between brand equity, its dimensions & marketing activities. The main objective is to test the hypotheses proposed in previous Chapter 4.

The main purpose of our study was to investigate the relationships between marketing mix elements and brand equity. On the basis of the literature, we hypothesized directional relationships among marketing efforts, the dimensions of brand equity, and brand equity. The relational paths among the constructs are summarized in the proposed research model comprising eleven constructs; six exogenous latent constructs. An exogenous construct is a latent, multi-item equivalent to independent variables; it is not affected by any other construct in the model. Endogenous construct is latent, multi-item equivalents to dependent variables; it is a construct that is affected by other constructs in the model (Hair *et al.*, 2006). A latent construct cannot be measured directly but can be measured by one or more variables. These measured variables are used as the indicators of latent constructs (Hair *et al.*, 2006). In this study, latent construct were identified based on extant literature. Each construct comprised at least three items and not more than four items.

In this study, the structural model specified the perceived marketing efforts as the exogenous constructs (store image as ξ_1, advertising spending as ξ_2, celebrity endorsements as ξ_3, event sponsorships as ξ_4, price as ξ_5, & distribution exclusivity as ξ_6). The exogenous constructs were selectively related to four endogenous mediating constructs (i.e., dimensions of brand equity: brand awareness as $\eta_1$and brand associations as η_2, brand loyalty as η_3 & perceived quality as η_4), which were related to the last endogenous construct, overall brand equity as η_5.

This research analysed the data based on the two-step approach as recommended by Anderson and Gerbing (1988). *Firstly*, the measurement models were evaluated using SPSS 19 (already discussed in this chapter) to ensure the unidimensionality, reliability and validity of each construct. The *second* step involved the assessment of the structural model using AMOS which shows the relationships between the constructs. By using this two-step approach, the typical problem of not being able to localise the source of poor model fit associated with the single-step approach was overcome (Kline, 2005). The single-step approach, which was not followed, involves assessing measurement and structural models simultaneously (Singh & Smith, 2001).

Fig 5.4: Proposed Model to Evaluate Effect of Marketing Mix Elements on Brand Equity & its Dimensions



Note: For information about each item with corresponding code, refer Table 5.4.1.

5.6.1 Measures of Fit

Goodness-of-fit statistics (Table 5.20), indicating the overall acceptability of the structural model analyzed, were acceptable. NFI exceeds the recommended value of 0.90. Other fitness indices met the recommended minimum values as well: Chi-square (χ^2)/df of 1.545, GFI of 0.930, AGFI of 0.916, CFI of 0.968, NFI of .915, RMR of 0.034,. Therefore, the measurement model of this study had an acceptable level of fitness.

Table 5.20: Fit Statistics of the Measurement Model

Fit Index	Recommended Value & Source	Observed Value	Fit
CMIN	p>=0.05 (Hooper *et al.*, 2008)	0.00	No
CMIN/DF	<=3.0 (Kline, 2005)	1.545	Yes
	<=2.0 (Tabachnik & Fidell, 2007)	1.545	Yes
Goodness-of Fit Index (GFI)	>=0.90 (Hooper *et al.*, 2008)	0.930	Yes
Adjusted Goodness-of-Fit Index (AGFI)	>0.90 (Bentler & Bonett, 1980)	0.916	Yes
Normed Fit Index (NFI)	>=0.95 (Hu & Bentler, 1999)	0. 915	Yes
Comparative Fit Index (CFI)	>0.90 (Bentler & Bonett, 1980)	0.968	Yes
Incremental Fit Index (IFI)	>0.90 (Bentler & Bonett, 1980)	0.976	Yes
Root Mean Square Error of Approximation (RMSEA)	<0.07 (Steiger, 2007)	0.030	Yes
Root Mean Square Residual (RMR)	<0.08 (Hu & Bentler, 1999)	0.034	Yes

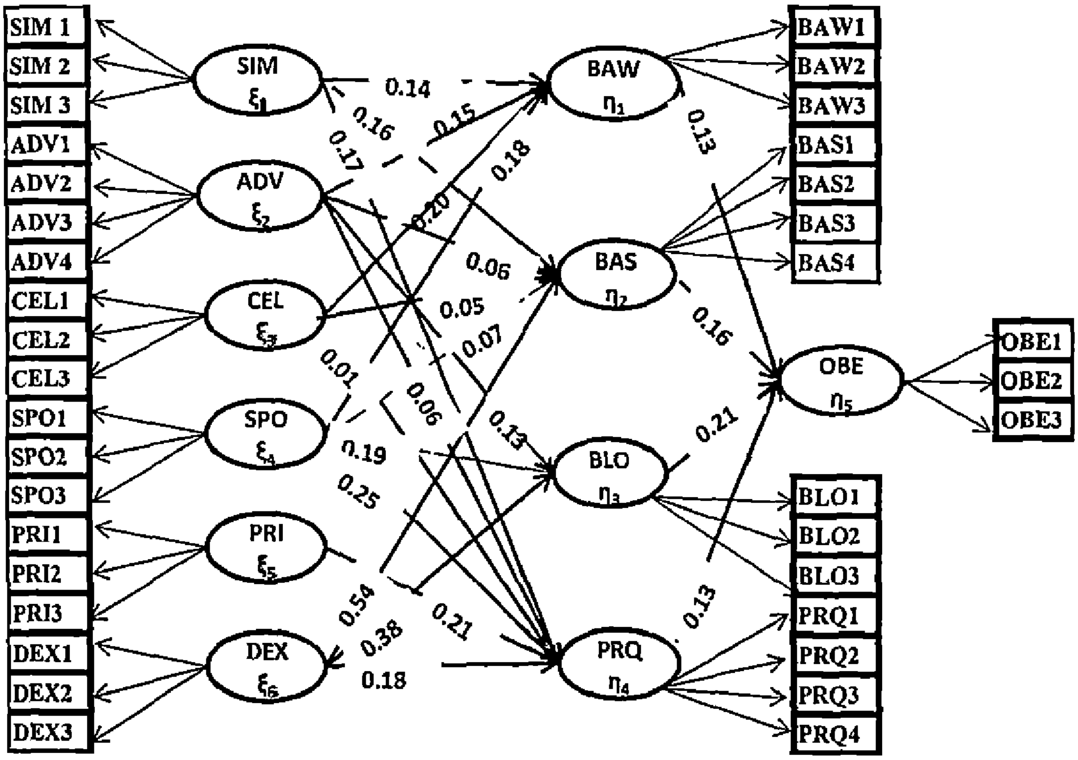
The Absolute Fit Indices: Absolute fit indices provide the most fundamental indication of how well the proposed theory fits the data (McDonald & Ho, 2002; Hooper *et al.*, 2008). Included in this category are Chi-Squared Test, RMSEA, RMR, GFI, and AGFI:

- A Chi-square (χ^2) value of 808 with a degree of freedom of 523 for the measurement model was found. The p value of χ^2 was equal to 0.00, which does not meet the criteria for a fit model ($p \geq 0.05$). However, it was accepted that χ^2 is not an appropriate criterion for a study that has a large sample size (Browne & Cudeck, 1993), and that χ^2 becomes more sensitive as the number of indicators rises (Hair *et al.*, 1998). This study had a large sample size (618 valid respondents) and a large number of indicators (35 items), so χ^2 was not an appropriate testing criterion for model fit for this study.
- RMSEA value for the model viz. 0.03 indicates that the model has a close fit.
- The RMR value for the model 0.034 indicates a close fit of the models.
- A goodness of fit index (GFI) value for the model 0.930 suggest that evidence for unidimensionality exists (Jöreskog & Sörbom, 2002).
- Adjusted Goodness of Fit Index (AGFI) value for the model 0.916 indicates an acceptable fit for the model.
- Normed Chi-square is the minimum discrepancy divided by its degrees of freedom (χ^2 / df); the ratio should be close to 1 for correct models. Although Arbuckle (2006) claimed that it is not clear how far from 1 we should let the ratio get before concluding that a model is unsatisfactory. In contrast, Byrne (2001) suggested that ratio should not exceed 3 before it cannot be accepted. The values of Normed chi-square viz. 1.545 is considered acceptable.
- Unlike the absolute fit indices, relative/incremental/comparative fit indices, do not measure how well the model fits in comparison to no model at all, but instead they rely on comparison with a baseline model (Jöreskog & Sörbom, 1993). Included in this category are CFI and NNFI.
    - Comparative Fit Index (CFI) value 0.968 indicates a close fit for the model.
    - Normed Fit Index (NFI) value 0.915 indicate a close fit of the model.

5.6.2 Relationships Between Brand Equity and its Dimensions

As hypothesized, perceived quality, brand loyalty, brand awareness and brand associations were significant dimensions of brand equity. Brand equity was positively related to perceived quality, brand loyalty, brand 'awareness and brand associations. The relationship of brand loyalty (β_{53}= 0.214, t value = 3.517) to brand equity was strongest than of brand 'awareness (β_{51} = 0.126, t value = 2.201), perceived quality (β_{54}= 0.126, t value = 2.629) and brand associations (β_{52}= 0.158, t value = 2.871) to brand equity.

Fig.5.5: Standardised Coefficients of Proposed Structural Equation Model



Note: For information about each item with corresponding code, refer Table 5.4.1.

5.6.3 Relationships of Marketing Mix Elements to Dimensions of Brand Equity

Empirical support was found for the relationships of marketing efforts to the dimensions of brand equity (Table 5.22), as hypothesized by H_a to $H_{2f\text{-}4}$. However, the relationship of Celebrity endorsement to Perceived Quality (t value = 0.157, $H_{02d\text{-}1}$), Celebrity endorsement to Brand Association (t value = 1.096, $H_{2d\text{-}3}$), Event Sponsorship to Brand Association (t value = 1.596, $H_{2e\text{-}4}$), Advertising expenditure to Perceived Quality (t value = 1.145, $H_{2f\text{-}1}$), Advertising expenditure to Brand

Association (t value = 1.289, $H_{2f\text{-}4}$), were weak and insignificant. The t values for the hypothesized paths, ranged from 0.157 to 11.02. The weakest of the supported paths was Celebrity endorsement to perceived quality (γ_{24}= .01, t value = 0.157), and the absolute effect sizes of other paths ranged from 0.01 to 0.378.

Table 5.21 Hypotheses Testing for Relationship between Brand Equity, Its Dimensions & Marketing Activities

Hyp	From	To	Std. Coeff	t - value	P	HS
Relationship between Brand Equity & Brand Equity Dimensions						
H_{01a}	Perceived Quality	OBE*	0.13	2.629	**	Yes
H_{01b}	Brand Loyalty	OBE	0.21	3.517	***	Yes
H_{01c}	Brand awareness	OBE	0.13	2.201	*	Yes
H_{01d}	Brand Association	OBE	0.16	2.871	**	Yes
	*OBE-Overall Brand Equity					
Relationship between Marketing Efforts & Brand Equity Dimensions						
H_{02a}	Price	Perceived Quality	0.21	3.383	***	Yes
H_{02b-1}	Store Image	Brand awareness	0.14	2.711	**	Yes
H_{02b-2}	Store Image	Perceived Quality	0.17	3.415	***	Yes
H_{02b-3}	Store Image	Brand Association	0.16	3.638	***	Yes
H_{02c-1}	Distribution Exclusivity	Perceived Quality	0.13	2.522	**	Yes
H_{02c-2}	Distribution Exclusivity	Brand Loyalty	0.38	7.987	***	Yes
H_{02c-3}	Distribution Exclusivity	Brand Association	0.54	11.02	***	Yes
H_{02d-1}	Celebrity endorsement	Perceived Quality	0.01	0.157	.438	No
H_{02d-2}	Celebrity endorsement	Brand awareness	0.20	3.194	***	Yes
H_{02d-3}	Celebrity endorsement	Brand Association	0.05	1.096	.136	No
H_{02e-1}	Event Sponsorship	Perceived Quality	0.25	4.562	***	Yes
H_{02e-2}	Event Sponsorship	Brand Loyalty	0.19	3.779	***	Yes
H_{02e-3}	Event Sponsorship	Brand awareness	0.18	3.039	***	Yes
H_{02e-4}	Event Sponsorship	Brand Association	0.07	1.596	.055	No
H_{02f-1}	Advertising expenditure	Perceived Quality	0.06	1.145	.126	No
H_{02f-2}	Advertising expenditure	Brand Loyalty	0.13	2.631	**	Yes
H_{02f-3}	Advertising expenditure	Brand Awareness	0.15	2.63	**	Yes
H_{02f-4}	Advertising expenditure	Brand Association	0.06	1.289	.099	No

* significant at .05 level - two tail test, **significant at .01 level - two tail test, ***significant at .001 level - two tail test; Std. Coeff.:Standardised Coefficient; HS: Hypotheses Supported

Relationships of Marketing Mix Elements to Brand Equity

The results for the research hypotheses lead to the development of a new set of hypotheses, linking the marketing mix elements to brand equity. The relationship between each marketing mix element & brand equity is mediated by brand equity dimensions. Since every brand equity dimension contributes positively to brand equity, if a marketing element affects brand equity dimensions positively, it is expected to lead to an increase in brand equity. Therefore, the following hypotheses were posited:

> **H_{03a}**: Overall brand equity is related positively to the extent to which the price of the brand is perceived to be high.
>
> **H_{03b}**: Overall brand equity is related positively to the extent to which the brand is distributed through stores with a good image.
>
> **H_{03c}**: Overall brand equity is related positively to the extent to which the brand is available in few stores.
>
> **H_{03d}**: Overall brand equity is related positively to the extent to which advertising is invested for the brand.
>
> **H_{03e}**: Overall brand equity is related positively to the extent to which Celebrity endorsement is used for the brand.
>
> **H_{03f}**: Overall brand equity is related positively to the extent to which Event Sponsorship is used for the brand.

These hypotheses were judged by using an analysis of indirect effects of marketing mix variables on brand equity (Bollen, 1989). In the structural model, no direct paths between marketing efforts and brand equity were specified. Instead, as per earlier conceptualisation, brand equity was indirectly affected through the mediating brand equity dimensions. Thus, the effect size of a marketing effort on brand equity was calculated on the basis of all the relational routes between each marketing effort and brand equity. For example, the computation of the effect size of store image on brand equity was as follows: store image to perceived quality (γ=.17) x perceived quality to brand equity (β=.13) + store image to brand awareness (γ=0.14) x brand awareness to brand equity (β=0.13) + store image to brand associations (γ=0.16) x brand associations to brand equity (β=0.16). The effect sizes of other marketing mix variables on brand equity were calculated in the same way. The hypotheis was considered to be supported (unsupported) depending on whether standardized coefficient was >0.05(<=0.05). Store image (.06), distribution exclusivity (0.18), event Sponsorship (0.10) and advertising spending (.06) had positive relationships to brand equity, as hypothesized. However, price (.03) & celebrity endorsement did not significantly contribute to an increase in brand equity. In summary, H_{3b} to H_{3f} except H_{3d} were supported.

Table 5.22: Relationship from Marketing Activities to Brand Equity Dimensions

Hyp.	From	To	Standardised coefficients	Hypotheses Supported
H_{03a}	Price	Overall Brand Equity	0.03*	No
H_{03b}	Store Image		0.06	Yes
H_{03c}	Distribution Exclusivity		0.18	Yes
H_{03d}	Celebrity endorsement		0.03*	No
H_{03e}	Event Sponsorship		0.10	Yes
H_{03f}	Advertising expenditure		0.06	Yes

*Standardised coefficients <.05 indicating lack of support for hypotheses.

SUMMARY

From a research model consisting of eleven variables with 28 hypothesized relationships, results show that 21 of the proposed hypotheses were supported by the data, which empirically confirms the causal relationships of the selected marketing efforts to the brand equity dimensions and overall brand equity dimensions in Indian market. A summary of those findings of this study is presented below:

- Relationship of all four brand equity dimensions i.e. Perceived Quality, brand awareness, brand association & brand loyalty on Overall Brand Equity was positive & significant (Hypotheses H_{01a}, H_{01b}, H_{01c} & H_{01d})
- Price was found to influence Perceived Quality positively & the relationship was significant. However the influence of Price on Overall Brand Equity was insignificant (Hypotheses H_{02a} & H_{03a})
- All the hypotheses were supported in case of store image, event sponsorship, distribution exclusivity have.
- A retailer's good store image was found to influence brand awareness, perceived quality & brand association positively & the relationship was significant. Store image has positive & significant effect in improving overall brand equity (Hypotheses H_{02b-1}, H_{02b-2}, H_{02b-3}, & H_{03b}).
- Distribution exclusivity was found to influence brand loyalty, perceived quality & brand association positively & the relationship was significant. Distribution exclusivity has positive & significant effect in improving overall brand equity (Hypotheses H_{02c-1}, H_{02c-2}, H_{02c-3}, & H_{03c}).
- Celebrity endorsement was found to influence Brand awareness positively & the relationship was significant. Celebrity endorsement has insignificant effect on perceived quality, brand association & overall brand equity (Hypotheses H_{02d-1}, H_{02d-2}, H_{02d-3}, & H_{03d}).
- Event sponsorship was found to influence brand awareness & brand loyalty positively & the relationship was significant. However the influence of Event sponsorship on brand association was insignificant. In Indian luxury market,

advertising has positive & significant effect in improving overall brand equity (Hypotheses H_{02e-1}, H_{02e-2}, H_{02e-3}, & H_{03e}).

- Advertising expenditure was found to influence brand awareness & brand loyalty positively & the relationship was significant. However the influence of Advertising expenditure on brand association & perceived quality was insignificant. In Indian luxury market, advertising has positive & significant effect in improving overall brand equity (Hypotheses H_{02f-1}, H_{02f-2}, H_{02f-3}, H_{02f-4} & H_{03f}).

Table 5.23: Summary of Relationship between Brand Equity & Brand Equity Dimensions

Brand Equity Dimensions	Overall Brand Equity
Perceived Quality	√
Brand Loyalty	√
Brand Awareness	√
Brand Association	√

Key: √ *indicates a positive & significant effect*

Table 5.24: Summary of Relationship between Marketing Efforts & Brand Equity Dimensions

Brand Equity Dimensions→ / Marketing Effort ↓	Perceived Quality	Brand Loyalty	Brand Awareness	Brand Association	Overall Brand Equity
Price	√	√	√	√	X
Store Image	√	-	√	√	√
Distribution Exclusivity	√	√	–	√	√
Celebrity endorsement	X	-	√	X	X
Event Sponsorship	√	√	√	X	√
Advertising expenditure	X	√	√	X	√

Key: √ indicates a positive & significant effect; X indicates an insignificant effect

Summary of relationship between brand equity & brand equity dimensions is given in Table 5.23. Table 5.24 summarizes relationship between brand equity & brand equity dimensions whereas Table 5.25 summarizes relationship between marketing efforts & brand equity dimensions while Table 5.26 summarizes all the relationships considered in this study.

Table 5.25: Summary Results of Hypotheses Testing

Hyp.	From	To	HS
H_{01a}	Perceived Quality	Overall Brand equity	Yes
H_{01b}	Brand Loyalty	Overall Brand equity	Yes
H_{01c}	Brand awareness	Overall Brand equity	Yes
H_{01d}	Brand Association	Overall Brand equity	Yes
H_{02a}	Price	Perceived Quality	Yes
H_{02b-1}	Store Image	Brand awareness	Yes
H_{02b-2}	Store Image	Perceived Quality	Yes
H_{02b-3}	Store Image	Brand Association	Yes
H_{02c-1}	Distribution Exclusivity	Perceived Quality	Yes
H_{02c-2}	Distribution Exclusivity	Brand Loyalty	Yes
H_{02c-3}	Distribution Exclusivity	Brand Association	Yes
H_{02d-1}	Celebrity endorsement	Perceived Quality	No
H_{02d-2}	Celebrity endorsement	Brand awareness	Yes
H_{02d-3}	Celebrity endorsement	Brand Association	No
H_{02e-1}	Event Sponsorship	Perceived Quality	Yes
H_{02e-2}	Event Sponsorship	Brand Loyalty	Yes
H_{02e-3}	Event Sponsorship	Brand awareness	Yes
H_{02e-4}	Event Sponsorship	Brand Association	No
H_{02f-1}	Advertising expenditure	Perceived Quality	No
H_{02f-2}	Advertising expenditure	Brand Loyalty	Yes
H_{02f-3}	Advertising expenditure	Brand Awareness	Yes
H_{02f-4}	Advertising expenditure	Brand Association	No
H_{03a}	Price	Overall Brand equity	No
H_{03b}	Store Image	Overall Brand equity	Yes
H_{03c}	Distribution Exclusivity	Overall Brand equity	Yes
H_{03d}	Celebrity endorsement	Overall Brand equity	No
H_{03e}	Event Sponsorship	Overall Brand equity	Yes
H_{03f}	Advertising expenditure	Overall Brand equity	Yes

Key: Hyp.: Hypotheses; HS: Hypotheses Supported

CHAPTER 6

FINDINGS & DISCUSSION

The aim of this research was to present a theoretical, empirical, and managerial perspective on brand equity. Specifically, this study investigated the linkage between marketing efforts, dimensions of brand equity and brand equity, using structural equation modeling. We have tested the hypotheses in previous chapter. In this chapter, a summary of findings is made mainly focusing on the research hypotheses relating to the main effects of brand equity dimensions on brand equity; and the main effects of marketing efforts on brand equity.

6.1 EFFECT OF BRAND EQUITY DIMENSIONS ON BRAND EQUITY

The aim of this section is to discuss the impact of four brand equity dimensions i.e. perceived quality, brand awareness, brand loyalty & brand associations on brand equity.

Roux (1995) found that perceived quality is taken for granted with luxury brands, as evaluations take place on an abstract level, e.g. image related level instead on a concrete/product related level as for non-luxury brands. The hypotheses H_{01a} was supported in our study. The findings are similar to the studies of Zeithaml (1988) who identified perceived quality as a component of brand value; and suggested that high perceived quality would drive a consumer to choose the brand and therefore, increasing the brand equity. The findings are also similar to those scholars who support a positive direct effect of perceived quality on purchase intentions (Carman, 1990; Boulding, Staelin & Zeithaml, 1993; Parasuraman *et al.*, 1996). Our findings are also supported by the studies exploring issues related to luxury consumption who claim that it is important for the premium marketer to maintain and develop leadership in quality for different reasons (Quelch, 1987; Garfein, 1989; Hafstrom, Chae & Chung, 1992; Gentry *et al.* 2001; Miquel, Caplliurer & Aldas-Manzano, 2002).

The hypotheses H_{01b} (The level of brand equity is related positively to the extent to which brand loyalty is evident in the product) was also supported in our study. The findings thus supported the findings of Aaker, 1991; Chaudhuri, 1995; Dekimpe *et al.*, 1997; Rundle-Thiele & Bennett, 2001; Grover & Srinivasan, 1992; Gounaris & Stathakopoulos, 2004. These authors have shown that brand loyalty influences brand equity positively. For example, "brand loyalty is a major determinant of brand equity, which is capitalized through brand extensions" (Chaudhuri, 1995; Dekimpe *et al.*, 1997; Rundle-Thiele & Bennett, 2001); "high brand loyalty is an asset that lends itself to extension, high market share, high return on investment and ultimately high brand equity" (Gounaris & Stathakopoulos, 2004) & "brand loyalty leads to brand equity" (Grover & Srinivasan, 1992).

The hypotheses H_{01c} (The level of brand equity is related positively to the extent to which brand awareness is evident in the product) was also supported in our study. The findings thus support Aaker (1991) who argued strongly the case for brand building and maintaining brand equity; and cite brand name awareness as one of four major brand assets which add value to the product or service and/or its customers. The findings are similar to those of another study, where increases in brand awareness were shown to increase the probability of choice even without any accompanying change in attitude or perceptions i.e. increase in brand equity (Nedungadi, 1990). The findings are also similar to those of other studies which show an increase in brand equity due to brand awareness. For example, consumers will have a higher purchase intention with a familiar brand (Hsu, 2000) and brand awareness can also affect decisions about brands within the consideration set i.e. it can increase brand equity of specific brands (Hoyer & Brown,1990; Keller, 1993). Likewise, if a product has higher brand awareness it will have a higher market share and a better quality evaluation (Grewal, Monroe, & Krishnan, 1998).

The hypotheses H_{01d} (The level of brand equity is related positively to the extent to which brand association(s) is/are evident in the product) was also supported in our study. Brand associations create value for the firm and its customers and lead to brand equity by helping to differentiate the brand, create positive attitudes or feelings in customers' minds, and provide a reason to buy it (Aaker & Keller, 1990; Keller, 1993). In fact, the image of a luxury brand is mainly based on favourable strong associations based on mostly symbolic product characteristics and thus, consumer attitudes towards luxury brands are determined by personally expressive attributes (Park, Jaworski, & Macinnis ,1986; Park, Milberg, & Lawson, 1991).

6.2 EFFECT OF MARKETING MIX ELEMENTS ON BRAND EQUITY

In this section we discuss the impact of six select marketing efforts i.e. price, store image, distribution exclusivity, advertising expenditure, celebrity endorsements, event sponsorships on brand equity & its dimensions i.e. perceived quality, brand awareness, brand loyalty & brand associations on brand equity.

- **Price:** Price has been used as a major positioning tool to differentiate a product. According to the concept of value pricing, lowering the price increases the value of the product, creating a perception of savings (Dodds *et al.*, 1991; Zeithaml, 1988). The findings in this study clearly show that high price leads to better perceived quality. The findings are similar to those of Blattberg & Winniewski 1989; Dodds *et al.*, 1991; Kamakura & Russell, 1993; Milgrom & Roberts, 1986; Olson , 1977; Rao & Monroe, 1989; Yoo *et al.*, 2000; Erickson & Johansson, 1995; Lichtenstein, Bloch, & Black, 1988; Tellis & Gaeth, 1990; Aaker, 1991). These authors also have shown positive influence of price on perceived quality.

  However in our study, price did not significantly effect the overall brand equity (H_{03a}). This can be explained by the fact that we have studied the influence of price on overall brand equity through only one brand equity dimension i.e. perceived quality. Had there been more dimensions, the overall results (i.e. the path coefficients) would have been different. Moreover, luxury brands can be described as premium priced brands that consumers purchase for their psychological values (symbolic and hedonic), and not predominately for their economical and functional value (Nueno & Quelch, 1998). Nowadays, with increased affluence, luxury is a blurred genre which is no longer the preserve of the elite. More and more consumers have traded up as the old values of tradition and nobility have become less important. People are enjoying much more material comfort in comparison with previous generations, resulting in a trend of a cultural shift for personal fulfilment and aspiration through experience. Therefore, luxury is increasingly about experience and authenticity (Yeoman & McMahon-Beattie, 2006), rather than monetary value. This is not to say that luxury is about status, but luxury is more than monetary value. Moreover, studies demonstrate that luxury brands possess "emotional values in access of their functional utility" and "are likely to provide subjective intangible benefits" (Vigneron & Johnson, 1999). Indeed, Dubois and Laurent (1996) already pointed out the emotional value as a vital characteristic of luxury products. They stated that "a vast majority of luxury consumers subscribes to the hedonic motive & that one buys luxury goods primary for one's pleasure". This again shows that monetary value is not the main criterion in making a purchase decision for a luxury consumer. Thus, the perfectionism effect prevails more than other effects (The Veblen Effect, The Snob Effect, The Bandwagon Effect & The Hedonic Effect) in Indian luxury apparel brand consumers. Thus Indian luxury apparel brand consumers may be called perfectionist consumers i.e. those who rely on their own perception of the product's quality, and may use price as further evidence of quality.

  Moreover, luxury apparel is a product that is consumed publicly and possesses public meaning. Purchasing luxury apparel satisfies various needs such as the expression of identity (Kaiser, 1990; O'Shaugnessy, 1987) and self-image (Kaiser, 1990; Morganosky & Vreeman, 1986), as well as giving individuals a way to impress others (Barak & Gould, 1985). So consumers who tend to pick up high priced luxury apparel aim to satisfy some of the above needs. Also, individuals have an understanding that a particular possession will convey a strong message or signal to the world about what and who they are (Douglas & Isherwood, 1979). High priced apparel thus is a product that has a high potential for symbolic meaning. In traditional marketing, when competition comes onto the scene, the price is reduced. In luxury it is precisely the opposite. A luxury brand must always be seen to be restoring the gap, restratifying, and as such it is acting as a visible agent of meritocracy.

- **Store Image**: Store Image was found to influence positively brand awareness, perceived quality & brand association thus supporting H_{02b-1}, H_{02b-2}, and H_{02b-3}. The results are similar to those of Rao & Monroe, 1989; Zeithaml, 1988 who suggest that high quality or high reputation stores will result in high brand awareness. Similarly Srivastava & Shocker (1991), Dodds *et al.* (1991), & Monroe and Grewal (1991) found significant positive effects of store image on perceived quality. Stores with good image provide greater consumer satisfaction and stimulate active and positive word-of-mouth communications among consumers (Rao & Monroe, 1989; Zeithaml, 1988). Also, word of mouth and the store's promotional activity enhance brand associations. In our study too, Store Image was found to influence positively Brand Association. Store Image was also found to influence positively Overall Brand Equity thus supporting Hypotheses 3b. Hansen and Deutscher (1978), Engel, Blackwell and Miniard (1990), James, Durand and Dreves (1976) , Schiffman *et al.* (1977), Hildebrandt (1988), Srivastava & Shocker (1991) have shown positive influences of store image on brand equity .
- **Distribution Exclusivity:** Distribution exclusivity was found to influence positively perceived quality, brand loyalty & brand association thus supporting Hypotheses H_{02c-1}, H_{02c-2}, and H_{02c-3}. Distribution exclusivity was also found to influence positively Overall Brand Equity thus supporting H_{3c}. This is consistent with the findings of Verhallen (1982), Lynn (1991), Solomon (1994), Verhallen & Robben (1994). Thus, a perceived limited supply of products enhances the consumers' value and preference for a brand i.e. the items that are in limited supply have high value, while those readily available are less desirable.
- **Celebrity Endorsement:** Celebrity endorsement was found to influence brand awareness positively & the relationship was significant. The findings support the views of Erdogan (2005), Kaikati (1987), Miciak & Shanklin (1994), Kamins (1990), who discuss the role of celebrity in creating awareness. Increasing product awareness has always been a high priority for companies. Research findings have shown that increased product awareness was the second most important reason companies choose celebrity endorsers (Copeland, Frisby, & McCarville, 1996), celebrities make advertisements believable (Kamins, 1989) & enhance message recall (Friedman & Friedman, 1979). In our study, Celebrity endorsement has no significant effect on Perceived Quality, Brand Association & overall brand equity (H_{02d-1}, H_{02d-2}, H_{02d-3}, & H_{03d}). The findings do not support the views of Till (1998), Till and Shimp (1998), McCracken (1989), Walker, Langmeyer and Langmeyer (1992) who discuss the positive influence of celebrities on brand associations.

  Celebrity endorsement was found not to influence positively perceived quality. A possible explanation may be that perceived quality is determined by a number of factors. To be more specific, perceived quality can further be classified into product quality and service quality. Regarding product quality, there are seven dimensions which affect the consumers' perception, namely performance, features, conformance with specifications, reliability, durability, serviceability as well as fit and finish. Service quality, on the other hand, is judged by its corresponding tangibles, reliability, competence, responsiveness and empathy (Aaker, 1991). In addition to the aforementioned dimensions, the country-of-origin of a product is found to affect its perceived quality (Khachaturian & Morganosky, 1990) and also the perceptions towards the purchased value (Ahmed & d'Astou, 1993). As mentioned by Srikatanyoo and Gnoth (2002), consumers are inclined to develop stereotypical beliefs about the products from particular countries. Hence, consumers could have their preferences for products made from one country over another.

  Similarly, celebrity endorsement was found not to influence positively brand association. A possible explanation may be that recall or association scores vary depending on a large number of factors which may be categorised into five groups (Walliser, 2003): conditions of exposure, product, message and target characteristics, and, finally, sponsorship integration. Recall increases as a function of duration of exposure to sponsors, previous brand awareness of sponsors, message length and design, socio–demographic variables of the spectators, such as age and spectator involvement with, and interest in, the activity sponsored. Another potential hazard with using celebrity endorsements occurs when the celebrity endorses more than one product. Instead of associating a celebrity with a particular product, consumers may find it hard to identify a product based solely on which celebrity endorsed it (Tripp, Jensen, & Carlson, 1994). An inclusion of few or possibly all of these factors in each case i.e. perceived quality & brand association could have yielded different results.

Celebrity endorsement transfers the personality and status of the celebrity as successful, wealthy, and distinctive directly to the brand. Other personality attributes that the celebrity may have such as glamour, beauty, talent, and style will also be ultimately linked with the brand. This factor however appears to a lesser extent among luxury brands than consumer brands because luxury brands already have well-defined and strong brand personalities, making it a challenge for celebrities to outshine the brand. This also can be a possible reason as to why celebrity endorsement was found not to influence significantly & positively brand association in current study.

The findings in this study also do not support the views of Cooper (1984), Fink, Cunningham, & Kensicki (2004), Friedman, Termini, & Washington (1976), Kamins (1989) who proposed a positive influence of Celebrity endorsement on brand equity. Advertisers and some academics (Patzer, 1985) share the belief that physical attractiveness of models can increase effectiveness of promotional and marketing activities. However, studies have shown that while attractive model (versus control with no model) adverts have an influence on evaluation of the adverts, they have generally little or no influence upon purchase intention (Baker & Churchill, 1977) i.e. the brand equity.

- **Event Sponsorship:** Sponsorship is attractive to corporations since it offers the possibility of (Gilbert, 1988) advertising and possible association with a charitable cause, as well as bringing entertainment and enjoyment to those who watch the event. Event sponsorship was found to influence positively perceived quality, brand loyalty, brand awareness & brand association thus supporting $H_{02e\text{-}1}$, $H_{02e\text{-}2}$, and $H_{02e\text{-}3}$ and $H_{02e\text{-}4}$. Event sponsorship was also found to influence positively Overall Brand Equity thus supporting H_{02e}. The findings in our research are similar to those of Fan and Pfitzenmaier (2002), McDaniel (1999), Meenaghan (2001), Roy and Cornwell (2004), Smith (1996), Smith (2004), Yoo and Donthu (2001), Cuneen and Hannan (1993), Rajaretnam (1994), Hansen and Scotwin (1995), Lardinoit and Derbaix (2001), Barros *et al.* (2007), Wakefield, Olsen and Cornwell (2007), Rowley and Williams (2008), Boshoff and Gerber (2008), Javalgi *et al.* (1994), d'Astaus and Bitz (1995), Roy and Cornwell (1999), Rifon, Choi, Trimble, and Li (2001), Dean (1999, 2002), Cornwell *et al.* (2001), Gilbert (1988), Keller (2002), and Crimmins and Horn (1996).
- **Advertising Expenditure:** Perceived advertising expenditure was found to influence positively Brand loyalty & Brand awareness thus supporting Hypotheses 2f-2 & 2f-3 but not Perceived Quality & Brand Association i.e. Hypotheses 2f-1& 2f-4 were not supported. The findings partially support Cobb-Walgren, *et al.* (1995) who found that money spent on advertising has positive effects on all elements of the brand knowledge—brand loyalty, brand awareness, perceived quality, and strength of brand associations-and brand equity.

The findings do not support the fact that advertising can influence perceived quality. The findings therefore do not support the findings of Milgrom and Roberts (1986), Kirmani and Wright (1989), Archibald, Haulman, and Moody (1983), Aaker and

Jacobson (1994), Nelson (1970, 1974) and Light (1990). A possible explanation (similar to one given in celebrity endorsements in previous section i.e. 5.1.4) may be that perceived quality is determined by a number of factors. To be more specific, perceived quality can further be classified into product quality and service quality. Regarding product quality, there are seven dimensions which affect the consumers' perception, namely performance, features, conformance with specifications, reliability, durability, serviceability as well as fit and finish. Service quality, on the other hand, is judged by its corresponding tangibles, reliability, competence, responsiveness and empathy (Aaker, 1991). In addition to the aforementioned dimensions, the country-of-origin of a product is found to affect its perceived quality (Khachaturian & Morganosky, 1990) and also the perceptions towards the purchased value (Ahmed & d'Astou, 1993). As mentioned by Srikatanyoo and Gnoth (2002), consumers are inclined to develop stereotypical beliefs about the products from particular countries. Hence, consumers could have their preferences for products made from one country over another (Papadopoulos *et al.*, 1991).

The findings also do not support the findings of Krishnan & Chakravarti (1993), Stigler (1961) and Farquhar (1989) who suggest a positive influence of advertising on brand associations. It is no doubt that clothing and accessories which can be visible in appearance have always served to communicate and convey information about the status of the wearer (Solomon & Rabolt, 2004) Noticing the symbolic function of products, many luxury enterprises endeavor to add symbolic meaning to their goods and to create an image, thus ascribing an identity and perception of value by successfully branding and advertising the goods (Twitchell, 2002). Further research has suggested that advertising may damage the luxury brand image, which could imply that common brand knowledge is not desirable for luxury brands (Dubois & Paternault, 1995; Dubois *et al.*, 2001). Thus in case of luxury brands, advertising may not have a significant positive effect on brand associations.

Advertising was also found to influence positively Overall Brand Equity thus supporting Hypotheses 3f. These findings are similar to those of Hutt and Speh (2004), Aaker (1991), Boulding, Lee, and Staelin (1994), Johnson (1984), Maxwell (1989), Palda (1964), Cobb-Walgren *et al.* (1995), Hauser and Wernerfeldt (1990), Aaker and Biel (1993), Lindsay (1990), Maxwell (1989), Simon and Sullivan (1993) who found a positive effect of advertising on brand equity.

Advertising, which is a vital instrument of marketing communication, has several roles as an instrument in a brand strategy. One aspect is that advertising offers information which makes consumers accustomed to the brand name, and negative associations evoked by a brand name can be decreased or. removed through the utilisation of advertising. Secondly, research has revealed that a considerable number of advertisements emphasise the distinguishing merits of a brand and even promote the perceived differentiation of a brand (Boulding *et al.*, 1994). It also has the effect of reinforcing the message to consumers. The fourth role of advertising is to give consumers a thorough knowledge of a brand, stimulating them to purchase the brand.

The hierarchy of effects model has shown that consumers tend to believe advertising statements on the basis of the claims (Richins, 1995). Hence, as consumers are exposed to a brand's advertising more frequently, they develop only higher brand awareness. One of the major reasons for a decrease in consumer loyalty is the decrease in advertising spending. By reinforcing the consumer's brand-related beliefs and attitudes, advertising contributes to strong brand loyalty (Shimp, 2003). Managers should invest in advertising with a clear objective of increasing brand equity.

There is also a relationship between advertising and brand sales: higher sales of a brand can be contributed by advertising. Two forms of advertising implementation have been studied, and both are relevant to the positioning approaches. One is called informational advertising because functional factors play a vital part in it; another is transformational advertising, as an expressive positioning approach is a central theme in it. In summary, advertising has an outstanding influence on the development of brand (Puto & Wells, 1984).

SUMMARY

In sum, this chapter presents results of reliability and validity analysis, measurement and structural models, hypotheses testing, and a brief discussion on the research hypotheses outcomes. Overall, it has been shown that the data in this study achieved acceptable levels of reliability and validity, while the measurement model showed a good fit. In addition, the structural model demonstrated that 21 out of 28 proposed hypotheses in this study were supported with a good fit level.

CHAPTER 7

THEORETICAL CONTRIBUTIONS & MANAGERIAL IMPLICATIONS

We explored the relationships between selected marketing efforts, dimensions of brand equity and overall brand equity. Specifically, we investigated the relational linkage between six perceived marketing mix efforts and brand equity through the mediating role of four brand equity dimensions using a structural equation model and found some important implications for the brand equity creation process. Brand loyalty, perceived quality, brand awareness and brand associations were found to be positively related to brand equity. Since brand equity is rooted in these dimensions, brand managers should capitalize on the current strength of the dimensions. Accordingly, in this chapter, we discuss theoretical contributions & managerial implications of our research. We also compare our research with previous empirical research. Then we focus on recommendations for building brand equity in Indian international luxury apparel market. The chapter ends with Conclusions.

7.1 THEORETICAL CONTRIBUTIONS OF PRESENT STUDY

The six marketing efforts examined in the Brand Equity Creation Model were price, store image, distribution intensity, celebrity endorsement, event sponsorship, & advertising expenditures. This expanded study enhances the explanatory power of the brand equity phenomenon in the Indian market. In addition, all the hypotheses of this study were developed according to the findings from previous studies. The majority of relationships between marketing activities and dimensions of brand equity were supported in the Indian market in this study, thus enhancing the generalizability of related findings from previous studies (including Yoo *et al.* 2000). This research allows us to infer that different marketing activities have different effects on the creation of brand equity in the international luxury apparel market in India.

The contributions of this research are significant from both research and managerial perspectives. This study is among the first theoretical and empirical attempts in Indian luxury fashion apparel industry to reveal the effects of various marketing efforts and on brand equity. Many of the investigated effects were found to be significant as hypothesized based on an integrated literature review. The managerial aspects have been discussed in the previous section. In this section, major theoretical and practical contributions of this study are discussed.

First, an Indian framework of brand equity has been conceptually developed and empirically supported. It was modeled that brand equity is effected by marketing efforts. Here, marketing efforts were selected from the traditional 4 P classification of marketing activities (i.e., product, price, promotion, and place). This marketing mix classification schema has been accepted as the most representative and comprehensive model for explaining marketing activities despite some criticism (Kotler *et al.*, 1996).

Second, it was found that marketing efforts are critical antecedents of brand equity. From a long-.term perspective, some marketing activities need to be performed less frequently while others need to be more frequently used. E.g. our findings suggest that there should be less focus on advertising & celebrity endorsements for brand building in Indian luxury apparel market. Third, despite considerable interest in the concept of consumer based brand equity, there have been few attempts at its measurement and scale development and hardly any in Indian context. In addition, the available measurement scales suffer from some drawbacks such as the lack of distinction between the brand awareness and brand associations dimensions ; and usage of student samples. The present research has tried to address these limitations.

Fourth, the Overall Brand Equity Scale has been developed from the consumer perspective. This scale consists of three items (see Table 5.10). As a pioneer approach to brand equity measurement, this scale is quite reliable: its Cronbach's a was 0.864 (Table 5.10). Also, it is valid. Its convergent validity was confirmed through the significant relationships to Aaker (1991) and Keller's (1993) dimensions of brand equity consisting of perceived quality, brand loyalty, brand awareness, and brand associations (see Table 5.21). The scale items facilitate entirely the essential meaning of brand equity concept, establishing face validity.

The study contributes to our understanding of consumer based brand equity measurement by examining the dimensionality of this construct in the context of the international luxury apparel brands in India. The principal contribution of our findings is that they provide empirical evidence of the multidimensionality of consumer-based brand equity, supporting Aaker's (1991) conceptualisation of brand equity. The four-dimensional construct observed in the present study is similar to that suggested by Cobb-Walgren *et al.* (1995). Thus, the present study confirms the multidimensionality of consumer based brand equity.

Moreover the present study relies on a sample of actual i.e. non-student consumers. While earlier studies were conducted using American (e.g. Yoo & Donthu, 2001, 2002; Yoo *et al.*, 2000; Washburn & Plank, 2002) & Korean (e.g. Yoo & Donthu, 2001, 2002) samples, the present study used a sample of Indian consumers.

Scholars & managers can benefit from the developed instrument in several ways. First, it consists of a small number of items, and in general it is simple, easy to use. Second, the small number of items enables the sources of brand equity to be measured according to a well-accepted and documented theoretical framework. The measurement of the sources of brand equity assures the good diagnostic potential of the current developed instrument. Third, the connection with the well-accepted and documented theoretical framework of brand equity provides numerous possibilities to further enhance the dimensions that perform well i.e. this instrument offers the ability to identify a brand's strengths and weaknesses in terms of the sources of brand equity.

The present research, taking into account suggestions of previous researchers like Yoo and Donthu (2001), has enriched the consumer-based brand equity model by incorporating brand personality measures, perhaps for the first time. In summary, the major contributions of the current research include (a) developing a global framework of brand equity, (b) identifying marketing efforts as critical antecedents of brand equity, (c) developing a consumer-based overall brand equity scale, and (d) incorporating brand association measures such as brand personality measures, perhaps for the first time.

This is perhaps the first study known to provide a complete view of the relationships between specific marketing activities and the creation of brand equity in the Indian international luxury apparel market. The hypotheses in current study were developed based on the findings of previous studies, which were conducted mainly in Western countries. The Brand Equity Creation Process Model employed was borrowed from Yoo *et al.* (2000), which was the first study to explore how selected marketing actions increase or decrease brand equity. With their Brand Equity Creation Model, Yoo *et al.*

first conducted their study with an American sample in 2000. Yoo and Donthu then repeated the research with a Korean sample in 2002. For a better understanding of the similarities and differences in attitudes and opinions toward marketing activities between Chinese, American, and Korean consumers, we compare the results of this study with the results of both Yoo *et al.* and Yoo and Donthu in the following section.

Yoo *et al.*'s study with an American sample and Yoo and Donthu's study with a Korean sample focused on distribution intensity. On the contrary our study focused on distribution exclusivity. The reason being that certain types of distribution fit certain types of products. The study by Yoo *et al.* (2000) showed that selective distribution was more acceptable for high-luxury goods than intensive distribution which in turn is more relevant for frequently purchased consumer goods. To enhance the image and retailer support for luxury products, firms should distribute them exclusively or selectively rather than intensively.

The four-dimensional construct observed in the present study is similar to that suggested by Cobb-Walgren *et al.* (1995). Thus, the present study confirms the multidimensionality of consumer based brand equity. However, the findings contradict those of other researchers. For example, Yoo and Donthu (2001, 2002) and Yoo *et al.* (2000) observed only three brand equity dimensions, combining the dimensions of brand awareness and brand associations into one. Table 7.1 describes the hypothesized relationships between different constructs in two studies i.e. current study & study by Yoo *et al.* (2000).

In the Indian market, advertising is not as effective as in the US market for changing brand equity dimensions. Whereas in US scenario, as per Yoo *et al.* (2000) findings advertising helped in improving perceptions about quality & creating positive associations, such effects were missing in Indian scenario. This may be attributed to difference in the product category. The research by Yoo *et al.* focused on sports shoes / apparels whereas in the current study the focus was solely on luxury apparel brands. In case of luxury product the focus is less on advertising and in fact the research findings indicate that advertising may damage the luxury brand image, which could imply that common brand knowledge is not desirable for luxury brands (Dubois & Paternault, 1995; Dubois *et al.*, 2001).

Table 7.1 Results of Hypothesized Relationships between Different Constructs

Construct	Construct	Yoo *et al.* (2000)	Current Study
Perceived Quality	Overall Brand Equity	√	√
Brand Loyalty	Overall Brand Equity	√	√
Brand Awareness	Overall Brand Equity	√	√
Brand Association	Overall Brand Equity	√	√
Price	Perceived Quality	√	√
Store Image	Brand Awareness	√	√
Store Image	Brand Association	√	√
Store Image	Perceived Quality	√	√
Advertising expenditure	Brand Loyalty	√	√
Advertising expenditure	Brand Awareness	√	√
Advertising expenditure	Brand Association	√	X
Advertising expenditure	Perceived Quality	√	X

Key: √ supported; X-Not supported

Three specific advertising media (TV, Print, and Web) were examined in this study, whereas all advertising spending was used in the studies of both Yoo *et al.* (2000) and Yoo and Donthu (2001, 2002). Because attitudes toward specific advertising are potentially influenced by attitudes toward advertising in general (Gong & Maddox, 2003), the results from the three studies can still be compared. They imply that different effects of advertising on brand equity exist among the three markets, with advertising having little effect in the Chinese, Korean & Indian markets but a strong effect in the US market. A pertinent point to be mentioned here is that there is a difference in the product category i.e. our study used luxury brands.

7.2 MANAGERIAL IMPLICATIONS

The results recognize marketing of managerial efforts from a long-term perspective of brand management. According to our analysis, high advertising expenditure, event sponsorship, exclusive distribution through retailers with good store images, are examples of brand-building activity. In this section we discuss the managerial implications of our findings We discuss the impact of each brand equity dimension & marketing effort on brand equity and the key learnings for luxury apparel brand managers in India,

- **Perceived Quality:** Since perceived quality is a consumer subjective judgment on product quality, and he or she will evaluate product quality from his/her previous experiences and feelings. Moreover, even if the product quality has been changed, consumers will not trust that product because of their unpleasant experience in past. Managers therefore need to ensure that the customers have pleasant brand experiences.

Managers need to understand that consumers do not necessarily buy luxury brands just for the conspicuousness of the brand name, but much more because of the superior quality reflected by that name. Perfectionist consumers may perceive more value from a luxury brand (Aaker, 1991) because they may assume that it will have a greater brand quality and reassurance. It will also benefit those consumers who refuse to buy counterfeit luxury brands, fearing that the counterfeits are of inferior quality.

In an era of increasing competition from store brands, a superior perceived product quality would give an advantage to international prestige-brand products over store-brand products in that category. In addition, perceived quality can be controlled to a certain degree by a company whilst satisfaction can not. Thus, it is suggested that when perceived quality and satisfaction are regarded as overall assessments, perceived quality is understood as an antecedent of satisfaction and therefore precedes it (Llusar *et al.*, 2001). Thus, it is expected that the higher the perceived quality of a product, the higher the consumer satisfaction.

Managers also need to understand that consumers are more likely to rely on heuristics such as cues (intrinsic and extrinsic) or signals to assess products when faced with uncertainty of product performance or product quality (Dawar & Parker, 1994; Richardson *et al.*, 1994). Managers also need to identify the relative importance of extrinsic and intrinsic cues to Indian luxury apparel consumers. Moreover, perceived quality and brand loyalty have are interrelated & they will positively influence purchase intention (Judith & Richard, 2002). Thus, perceived quality and brand loyalty are positively correlated, and brand loyalty will increase if perceived quality increases.

- **Brand Loyalty:** Brands are far more than just a marketing concept or an asset on the company's financial statement. The brand is the contract between the company and the consumer with the terms of the contract written in emotions. It is on the emotional level that consumers connect to brands. Their passion, dreams and desires are all involved with the brand. Brand loyalty, therefore, is all about how well, effectively and completely the company's brand satisfies the consumers' needs, desires, and dreams. A brand is loyal to the consumer when it connects with the consumers' emotional desires. When that emotional connection occurs, the company may then be rewarded with some special affinity the consumer feels for the brand which may influence them to buy again. A brand's loyalty to its customers therefore yields consumers having an affinity for the brand. Truly connecting with the consumer on an emotional level is the key to brand loyalty and consumer affinity.

Manufactures are constantly trying to get their brand noticed among a plethora of brands available. Efforts by organisations are not only directed at getting their brand noticed by the consumer but also to get the consumer interested enough to buy it on every subsequent purchase occasion. The ultimate marketing goals and objectives for any business are to create, maintain and improve customer loyalty toward their brands, products or services (Dick & Basu, 1994). The companies who are focusing on identifying customer loyalty would generate profitability, long term/high customer retention, reduce marketing costs and increase competitive advantage (Reichheld & Sasser, 1990). Brand loyalty adds considerable value to a brand and/or its firm because it provides a set of habitual buyers for a long period of time.

Managers also need to understand that brand loyalty is qualitatively different from the other major dimensions of brand equity in that it is linked to prior purchases and experience (Deighton, Henderson, & Neslin, 1994) and also that the cost to attract a new customer is more than five times of maintaining a loyalty customer (Reichheld & Sasser, 1990). That is, the higher the brand loyalty, the less cost businesses to pay. A loyal consumer base also represents a barrier to entry, a basis for a price premium, time to respond to competitors, and a bulwark against deleterious price completion (Aaker, 1996a). In addition, brand loyalty is the final destination of brand management, and if a company wants to test the weakness or strength of its customers' loyalty, it can easily check whether consumers still favor its product in contrast to competitors.

Any brand strategy must use several loyalty based consumer typologies in order to identify the appropriate marketing mix best shaped to each segment. Furthermore, certain rules generally apply when managing brand loyalty, along with specific tactics and strategies established after a detailed analysis of the particular situation a brand or its actual and potential clients has. Managing brand loyalty implies a periodical assessment of the results obtained through specific strategies and of the levels of brand loyalty among customers, considering both functional and emotional perceived aspects related to the brand.

Finally, companies are concerned that today's consumers tend to be less loyal than in times past (Dekimpe, Steenkamp, Mellens, & Abeele, 1997; Steenkamp, Nijs, Hanssens, & Dekimpe, 2005; Kapferer, 2005). Brand loyalty seems to decline due to a growing acceptance of private label brands in today's market (Dekimpe *et al.*, 1997). Furthermore, the present environment of increased competition and rapid market entry of new products and services into the market place leads consumers to experience product knowledge in terms of a wider choice of better alternatives and opportunities (Ballantyne, Warren, & Nobbs, 2006).Therefore, it is crucial for companies and manufacturers to focus on differentiating their product from that of the competitors, in order to create inclination and preference for their products and services.

- **Brand Awareness:** Higher brand awareness leads to higher perceived quality (Monore, 1990; Lo, 2002; Lin, 2006). Further higher brand awareness also leads to higher quality evaluation by consumers (Kan, 2002). A brand with high awareness and good image can promote brand loyalty to consumers (Aaker & Keller, 1990; Peng, 2006). Therefore, when managers develop a new products or a new market, they should promote their brand awareness in order to receive the best result because brand awareness is positively related to brand loyalty.

  Managers need to understand that brand awareness is essential for the communications process to occur as it precedes all other steps in the process. Without brand awareness occurring, no other communication effects can occur. For a consumer to buy a brand they must first be made aware of it. Brand attitude cannot be formed, and intention to buy cannot occur unless brand awareness has occurred (Rossiter & Percy, 1987). Moreover, investments in brand equity and in particular brand awareness can lead to sustainable competitive advantages and thus to long term value. Brand awareness can add value by placing the brand in the consumer's mind, & acting as a barrier to entry to new unestablished brands (Stokes, 1985) ; reassuring the customer of the organisation's commitment and product quality, and providing leverage in the distribution channels (Aaker, 1992).

- **Brand Associations:** Luxury fashion brands such as Chanel, Hermes, Bulgari, Louis Vuitton, Gucci, and Christian Dior are renowned for their distinguished design, fine quality, and the extremely high price as they are also endowed with symbolic function which gives the perception of higher social class and social status to the consumer. Luxury brands are purchased for their uniqueness, scarcity, quality, hedonic and self-expression attributes (Park *et al.*, 1991; Vigneron & Johnson, 2004). Some products are perceived to communicate a certain image, social role or status (Sproles & Burns, 1994). Managers therefore need to create unique brand associations with luxury products. Moreover, the associations convey either the concept, or the meaning of the product in terms of how it fulfils a customer's need. In today's highly competitive environment a distinctive product image is most important. As products become more complex and the market place more crowded, consumers rely more on the products image than its actual attributes in making purchase decisions.

A distinguishing characteristic of modern marketing has been its focus upon the creation of differentiated brand associations to accentuate the bases of differentiation. The idea has been to move beyond commodities to branded products - to reduce the primacy of price upon the purchase decision. There are a host of possible associations that managers can build in a brand. Not all associations need to be built but rather those that directly or indirectly affect consumers' buying behaviour.

A marketer needs to identify an attribute that is important to a major segment and not already claimed by a competitor, e.g. an attribute that offers something extra (like features or services that offer something better). The identification of an unmet customer problem can sometimes lead to an attribute previously ignored by competitors (Aaker, 1991). Indeed, unmet needs are strategically important because they can represent opportunities for firms that want to make major moves in the market. A marketer can also associate a brand with a particular use or application or with a type of user or customer. Linking a celebrity with a brand can transfer associations such as reliability, strength, performance, and so on. A firm may position its brand using the organization's attributes such as innovation, a drive for quality, and a concern for the environment. A firm can position its brand with respect to a competitor. One more strategic option that a marketer has is to associate a brand with a country. However, managers need to be careful whether the country of origin has a a positive or a negative effect on the market's perception of a product.

Brand management involves two activities, which are complementary in deciding about the limits of a brand's stretch: brand building and brand leveraging. With brand building activities, managers need to focus on establishing favourable attitudes and strengthening the relationship from the brand to a particular category, product attribute, customer benefit, or usage situation (Farquhar & Herr, 1993). On the other hand, with brand leveraging activities managers must consider the strength of existing associations directed towards the brand (Farquhar, Herr, & Fazio, 1990).

Marketers also attempt to differentiate and build preference for their brands not only on the basis of how consumers perceive them functionally but also on the basis of these brand personality perceptions (Aaker, 1997; Keller, 1993). It is believed that consumers prefer those brands which, in addition to satisfying their functional needs and wants, also symbolize those personality aspects that they find most congruent with their own actual or desired ("aspired to") personality associations (Belk, 1988; Dolich, 1969). The perceived personality of a brand can be shaped by marketers via "transferring cultural meaning" into it in various ways, such as by associating the brand in communications with an endorser or place that already possesses the personality or meaning considered strategically desirable for that brand (McCracken,1986). In assessing the strategic desirability of creating or reinforcing a particular kind of brand personality association for a specific brand, marketers need to study both (1) the existing brand personality that consumers associate with the focal brand and its competition, and (2) the extent to which a target consumer segment desires that particular kind of brand personality association, for that brand. The first of these analyses allows the marketer to assess how "differentiating" that particular kind of brand association will be; the second, how "relevant" and "value-creating" it will be. Both such "differentiation" and "relevance" are necessary for such a brand personality association to create consumer value (Batra & Homer, 2004; Aufreiter, Elzinga, & Gordon, 2003).

- **Price:** The perceived value of goods with the capacity to infer status on the consumer is determined to large extent by their price. Usually, high prices of goods are set equal pwith high quality in the minds of consumers. Consumers who perceive price as a proxy for quality also perceive high prices as an indicator for a certain degree of prestige (Lichtenstein, Ridgway, & Netemeyer, 1993). Therefore, managers need to understand that an increase in price of status goods most likely results in an increase in the perceived value of that good.

  The premium-pricing strategy pursued by all luxury brands further fuels consumers' need for uniqueness as they feel superior when they are one of the few who can indulge themselves by owning luxury items. Luxury brands may eventually lose their exclusivity if they are not priced high enough to exclude the masses from possessing them. All luxury brands consistently pursue a luxury pricing strategy, which means high markups and limited availability. For instance, Louis Vuitton competes with Gucci, Versace, Prada and other luxury brands but pricing strategy follows horizontal differentiation. They recognize that different consumers have distinct preferences for lifestyle reasons, brand and product attributes. Louis Vuitton, like most luxury brands, never has sales or discounts even during Christmas time for fear it would devalue the brand. Managers therefore need to design a premium pricing strategy for maintaining uniqueness of their luxury brands, keeping in mind the competition & different customer segments and that they should avoid the price discount strategies for luxury brands.

  Firms offering luxury brands are facing a slightly different dilemma: they are challenged to get their stake in the evolving potential market without diluting their carefully established brand equity, as the capability of luxury brands to differentiate its consumer clientele in terms of exclusivity and status might be weakened when it is affordable to the mass. Luxury brands are desired but still not affordable for middleclass consumers. Adapting the premium-pricing strategy by making the individual products cheaper to meet customers' expectations would certainly help to attract a new group of buyers. On the downside, it has to be considered that this strategy, however, will take away one of their most precious characteristics: their scarcity and exclusivity. Managers therefore need to take a decision between increasing their business by compromising on price versus maintaining exclusivity through premium price strategy.

  For certain brands, the price and the place in which they are retailed are as essential to defining its personality as are promotion and packaging. Global distribution and outsourcing offer huge benefits to brand owners but also present opportunities for products to leak out of the supply chain and appear on the grey market, alienating legitimate retailers and leaving a company's global pricing strategy in tatters. Designer clothing is actually a negligible proportion of the total clothing market sector. The high price of designer items has no real effect on the aggregate market prices for clothing generally. Yet the designer clothing industry can be extremely profitable because of the section of society targeted – people who are paying for the fact that they will have a unique item or have the item before anyone else, and would not purchase that same item if it was generally available to all. If the manufacturer in this scenario has to continually reduce pricing to allow authorised, domestic distributors to compete with parallel imports, the brand owner's margin is reduced and consumer perception of the now more widely available item can be severely affected. Thus, the long term image of the brand is compromised as well as the manufacturer's bottom line, and future investment in innovation could be damaged. Such a situation does perhaps illustrate that there is a market for exclusivity, and price reduction of items in such a market could actually undermine consumer perception of the whole brand offering.

Luxury products are inevitably relatively expensive. Premium pricing is linked with luxury products in the mind of the consumer (Yeoman & McMahon- Beattie, 2006). A high price implies premium quality. If a similar product is offered by several companies, the most expensive product is considered of a better quality than the cheaper one. Within companies, similar products are often offered with an extensive price difference. A study by Dubois *et al.* (2001) indicated that the most expensive product within a range is believed to be of the highest quality. They argued that the price value is not restricted to the financial aspect alone, but also involves a psychological aspect. The effort that has to be undertaken to acquire luxury products contributes to the perception of a product as a luxury (Dubois *et al.*, 2001). Price is a factor that adds to the valuation of a product in the consumer mind and may stimulate the perceived extra sign-value inherent to luxury products. Though other characteristics may be significant in the perception of luxury products, the psychological factor assures that quality and price are the strongest and often support other characteristics. Consequently managers need to ensure that quality and price have to be present in their luxury brands.

Thus, to summarise, price has been used as a major positioning tool to differentiate a product. Brand equity may decrease when consumers strongly relate price to product quality and use price as a proxy for the quality. Consumers may perceive that a lower price is made by cutting costs and product quality to maintain profit margins. If possible, managers should avoid frequent price cuts because they lower perceived quality and product image. While maintaining the price level, managers can capitalize on technological progress, managerial efficiency, and customer service to enhance the value of the product. Combining an equal or higher price level with more advanced product features (e.g. apparel designs) may be the desirable pricing strategy from a brand equity perspective. Now we discuss different pricing strategies & their Implications for luxury brand managers.

Two aspects are relevant for positioning: the brand's price aspect and the intrinsic aspect. Although only the intrinsic aspect of positioning is managed in many articles (Ries and Trout, 1986b), Riezebos *et al.* (2003) stated that the comparative price is a powerful determinant for the intrinsic aspect. Basically, a corporation can select one of three strategies in the price aspect of positioning—a low-cost, a premium and a prestige strategy. In a low-cost strategy, the corporation elects to compete with other brands on the lowest probable price. However, in premium and prestige strategies, the corporation attempts to make a brand differentiable for consumers rather than starting price competition; in particular, for a prestige strategy, the degree of differentiation of a brand is quite high. In the market, one can give an option with regard to which level of price a brand is to be positioned based on the price strategies. If a low-cost strategy is used, the corporation preoccupies itself with rivalry by creating the brand as effectively and cheaply as possible, but in the brand's intrinsic positioning the corporation can do nothing except stress a proper quality for a low price. Consequently, in this strategy, "The brand name will usually only function as a recognition sign for the low price and the brand name will add little or no material or immaterial value to the product for the consumer" (Riezebos *et al.*, 2003). When a premium strategy is employed, the maximum amount that consumers are willing to pay for a brand will be calculated by gaining their opinions about the highest priced competing brands; this information will then be used to determine the price of a brand.

A large number of consumers believe that a high price represents high quality (Gerstner, 1985). Besides, premium strategy provides many probabilities to give meaning to the brand, and in a prestige strategy, which offers certain are more essential in the stressing of impressive facets than instrumental facets. When there is a high degree of resemblance amongst brands, a functional approach would become difficult; an expressive approach could solve this problem. Central to the expressive approach is to alter the use experience of consumers. In this situation, a brand has 'psychosocial meaning', which means by the buying and open expenditure of brands, consumers clearly understand which social class they belong, or aspire to belong to, and those to which they do not wish to belong. An expressive approach targeted at social respect is particularly appropriate in a prestige strategy (price aspect) and an added value—exclusivity (i.e. differentiation) to a brand. Such exclusivity is connected with the brand's intrinsic attributes and with the target group to which the brand is referred. Therefore, the price aspect cannot be regarded as separate from the intrinsic aspect that the brand represents. In fact, managers pay more attention to the intrinsic aspect of positioning than to the price aspect. It has two main approaches, functional (the intrinsic attributes are central) and expressive where the idea of utilising the brand is central (Riezebos *et al.*, 2003). There are instrumental and impressive facets of intrinsic attributes within the functional approach: the former one emphasises the intrinsic attributes themselves, while the accent of impressive facets, which can be referred to as 'experiential' facets, is on the benefits of intrinsic attributes for consumers (Park *et al.*, 1986).

- **Store Image:** Creating an appealing store image that speaks to ones customer segment is important for retailers in order to attract customers. Attracting customers and differentiating one from competitors have become increasingly important. The key for a successful store image is to create an image that matches with the targeted consumer's expectations and with the overall objectives. A well-managed store image is crucial because it affects the store position in the mind of the consumer. The better the image of the store is the more the customers will be attracted to it. A well-recognized and accepted brand image is one of the most valuable assets a firm possesses. Brand managers and manufacturers are concerned with managing brand equity and capitalizing on the value of a brand image (Aaker, 1991). A product or retail establishment has many associations which combine to form its total impression. The images associated with the brands a store carries influence a store's image, which in turn, influences consumers' decision-making processes and behaviors. Consequently, brand image and retail image are inextricably linked to one another.

The customer's image of himself or herself also plays a major role in the store image concept. The store image needs to send signals of belongingness to the customers. Social factors are very important here, as customers tend to choose stores that fit their self-image or their desired self-image. A common method when observing the most important store dimensions for a particular store is to look for congruency elements connecting the targeted customer's self-image to the store image. If there are strong connections between the self-image and the store image the level of store loyalty will be higher.

A favorable store image does not only affect purchase behavior in a positive way, it can also provide the customers with "added value". Benefits in the sense that customer's feel that a particular product is worth more when it is bought from a certain store. For example, some people might feel restrained telling friends that they bought a chair from a low-fashion furniture store located in a suburban area outside town. As it feels much better telling them that, the chair is bought from a fancy furniture store in the city centre, even though the chair is cheaper in the non-fancy store. Buying from the fancy furniture store gives the customer a feeling of "added value" because the image of that particular store is high and it matches with the preferred self-image of the customer.

When developing a merchandise strategy the focus should be on choosing the right mix of products and services that gives the store the right personality and that complements the desired store image. The merchandise assortment should give a clear reflection of the stores positioning plan. A right chosen merchandise strategy should offer the customers a positive shopping experience, meet their expectations, solve their problems and affect the perception of the store image in a positive way.

A retailer should never forget that the products they are offering are not only plain products; it is products providing the customers with a solution to their problems. Offering a customer a normal lamp might solve his/her need for lightning but it might not solve his/her underlying desires for a designer lamp, a lamp that is not only practical but also nice to look at. Retailer's reputation is an important signal of product quality (Dawar & Parker, 1994; Grewal, Krishnan, Baker, & Borin, 1998). Two major implications for brand managers follow. First, the awareness level of brands carried by a store helps buyers form merchandise quality inferences that influence their perceptions of retail image. Second, the presence of a brand(s) having strong awareness, recognition, and quality perceptions - influences buyers' inference-making and impressions of retail image. Managers should distribute products through stores with good image because consumers infer the product quality from the image and reputation of the store. Also, word of mouth and the store's promotional activity enhance brand associations. Therefore, selecting good image stores as product vendors builds strong brand equity.

Managers need to distinguish between functional qualities and psychological attributes in the construction of a retail image, with a special emphasis on the role of the customers exposure to a store experience on the psychological attributes. Explaining the store image emphasizing design part, Levy and Weitz (1996) claimed, "Store tell customers with all visible outside factors and real set-up structure of facilities make most of purchase possible."

Development and management of favorable store image is one of the most important abilities of retailers in the market position. and that store image is considered important in the development of marketing strategies to determine shopping areas (Nevin & Houston, 1980) . The consideration of store image makes an important role in the development of marketing strategies of both individual and chain stores and shopping centers (Steenkamp & Wedel, 1991).

The role of distributors in the marketing system is becoming increasingly important. Their influence on brand equity is beyond the "availability" factor in the marketing share equation, and retailers' brand equity might enhance the equity of the brands they carry based on the value the retailers provide to their customers (Srivastava & Shocker, 1991). Managers should distribute products through vendors that have a good image because consumers infertile quality of products from the image and reputation of the store. Similar to price, retail reputation is an important signal of product quality (Dawar & Parker, 1994; Grewal, Krishnan, Baker, & Borin, 1998). Also, word of mouth and the store's promotional activity enhance brand associations. Therefore, selecting good image stores as product vendors builds strong brand equity.

The importance of channel design and management as a marketing tool of increasing brand equity is growing (Srivastava & Shocker, 1991). In a distribution channel, retailers encounter a firm's ultimate consumers. Selecting and managing retailers is therefore a firm's major marketing task in satisfying consumers' needs. In particular, distributing through good image stores signals that a brand is of good quality. Dodds *et al.* (1991) find significant positive effects of store image on perceived quality. The store name is a vital extrinsic cue to perceived quality. The quality of a given brand is perceived differently depending on which retailer offers it. Customer traffic will be greater in a store with a good image than in one with a bad image, thus creating brand awareness. Good-image stores attract more attention, contacts, and visits from potential customers. In addition, such stores provide greater consumer satisfaction and stimulate active and positive word-of-mouth communications among consumers (Rao & Monroe, 1989;

Zeithaml, 1988). Therefore, distributing a brand through an outlet with a good image will create more positive brand associations than distributing through an outlet with a bad image.

A new opportunity & competition for brick-and-mortar stores is from electronic retailing. There is a continuing shift away from brick-and-mortar stores to electronic retailing (Dholakia & Uusitalo, 2002). For example, apparel and home products make up an increasing share of the $988 million spent weekly in US online sales (Puente, 2002). However, brick-and-mortar stores have some advantages over electronic retailers (Chan & Pollard, 2003). Their advantages are lower costs per order and visual displays for attracting customers, and ease of handling returns. Greater hedonic benefit levels are associated with brick-and-mortar stores than electronic shopping outlets, particularly among women and families with a child under the age of five (Dholakia & Uusitalo, 2002). Experiential retailing may offer brick-and-mortar apparel stores a means of differentiating themselves from online competition.

Distribution Exclusivity: Although the luxury goods market is renowned for commanding lucrative margins, there are valid reasons for this. The innovation processes, the creativity, and long development stages some items go through has to bring a return on the initial investment to allow the creative process to continue. It can be said that some of the predominant factors of a 'luxury' brand are its very exclusivity, uniqueness and novelty value. In order to create an image of exclusivity, restrictive distribution is the strategy of limiting the number of retailers of a product.

When a product becomes rare or scarce, the consumer demand and preference will increase especially when the product contains a high value. Luxury brands have to be able to create a well-known brand identity and be perceived as exclusive (Phau & Prendergast, 2000). Luxury goods brands such as Gucci and Lacoste seriously damaged their brands by introducing line extensions that made the brands widely available and reduced the prestige that comes with restricted availability (Lane & Jacobson, 1997). In the case of scarcity, they assert the importance of conceiving the illusion of scarcity as opposed to actual scarcity in order to prevent the market from becoming too diluted.

Channel management issues are again different for luxury brands. Here the focus is not on expanding reach. Indeed, marginal and unfocused retailers must be dropped from time to time to improve the strength of the brand franchise for those remaining. Investment in flagship monobrand stores augments the brand's prestige and presents it as a lifestyle concept. In the past, customer service for luxury brands meant making to order. Craftsmanship and customisation went hand-in-hand. Today exclusivity is provided not by customisation but by restricted supply. But selective distribution and limited assortments cause inconvenience to consumers. So many luxury brands are looking at new ways of improving customer service.

A study (Dubois & Paternault, 1995) says that the lure and appeal of international luxury brands tend to lose their prestige value when they are over diffused in the consumer market. The result is that these international luxury brands lose their exalted status when they are seen to be hobnobbing more with the common brands that are displayed in the market, or when they are found to be available in all the market place. The phenomenon germinates a negative thought in the minds of the consumers' seeking luxury brands, which affects the acceptability factor of these goods in the minds of these consumers. According to Vickers and Renand (2003) luxury goods are differentiated from non-luxury goods by a perceptive mix of three important angles of instrumental performance related to functionalism, experientialism and symbolic interaction of goods and services that gives the marketers a very distinctive insight into the type of communication that they should adopt with regards to marketing of goods. In this context the symbols that are part and parcel of luxury products have a profound influence on the choice of one product in relation to another product that is available in the market. These symbols convey the values that are part and parcel of the goods, which are distinctive from each other, and they have their distinctive place in the market and in the minds of the consumers. In this context it can be said that the concept of luxury goods has a certain position in the marketplace that is well perceived by the consumers. It is more or less connected with the concept of prestige and enhanced quality along with exoticness and snob value, which they aspire to possess once they gain the economic strength. But these qualities may tend to get diluted if the spread of luxury goods are over diffused in the marketplace, upon which the perception of the consumer changes with regards to those goods and services. So the luxury goods should maintain their unique position in the market place in order to retain their lure with the consumers.

Luxury brands have to be able to create a well-known brand identity and be perceived as exclusive (Phau & Prendergast, 2000). The implication is that luxury brands have to maintain the perception of limited supply, which leads to difficulties of increasing sales through greater exposure (Roux & Floch, 1996). Dubois and Laurent (1994) found that many luxury goods companies seemed to have lost their exceptional position due to over-diffusion of their products. Luxury goods brands such as Gucci and Lacoste seriously damaged their brands by introducing line extensions that made the brands widely available and reduced the prestige that comes with restricted availability (Lane & Jacobson, 1997).

- **Celebrity Endorsements:** Increasing product awareness has always been a high priority for companies. In a study by Copeland, Frisby, and McCarville (1996), twenty-two companies were asked to select the most import criteria from thirty-seven selections. The results showed that increased product awareness was one of the most important reason companies choose celebrity endorsers. Many companies have realized the importance of celebrity endorsement as a marketing communication tool (Belch & Belch, 2001). In using this advertising tool, a company will generate a high awareness among a larger audience as well as an increased market share. Awareness is the first step in the purchase process. If the target market is not aware of a firm's product the chances of them buying it are nil. This can be accomplished with any supplemental advertising, however a celebrity attached to the brand name will increase the likelihood of product recall as well as infuse the firm's product with the charisma and success associated with the celebrity.

  Celebrities are extremely important and valuable to brands, especially in the luxury fashion sector. There is no argument about it. They wield enormous power in fashion circles and can contribute to making and breaking brands. Fashion designers pamper them and brand managers recognize their potential to brands and utilize this effectively. In the fashion world, the list of celebrities would include designers, their muses, models, photographers, and any prominent person involved in the artistic aspects of fashion such as make-up artists and fashion consultants. The celebrities that are most utilized in the promotion of luxury fashion brands are those in the film and music industries as a result of the major role that fashion plays in these entertainment sectors.

  The luxury brand managers need to ensure that celebrity's personality must match the brand's personality. Luxury brands often make the mistake of choosing a celebrity to endorse their brands based on their popularity and appeal. Although these attributes are important, it is essential to understand the significant role that a celebrity's personality brings to the brand. A classic brand such as Hermes is most likely to give a clear brand message by using a celebrity who portrays this characteristic through their qualities and demeanor rather than one who exhibits non-conformism. Where a celebrity that portrays a different brand personality is used by luxury brands, it should be for a strategic purpose such as brand re-positioning, new product launch or brand extension. The personality of the celebrity should also reflect a positive brand image rather than a negative one. For example, there is a definite match between Nicole Kidman and Chanel, and between Uma Thurman and Vuitton.

Endorsement of luxury fashion brands by celebrities is a strategy that undoubtedly has great importance in the luxury goods sector. Although the short-term results are difficult to accurately measure, if managed effectively, this strategy often yields long-term benefits such as higher sales turnover and brand value. Thus it would be presumptuous to consider celebrity endorsement as a panacea for all barricades. Celebrity endorsement if used effectively, makes the brand stand out, galvanizes brand recall and facilitates instant awareness. To achieve this, the marketer needs to be really disciplined in choice of a celebrity. Hence the right use of celebrity can escalate the Unique Selling Proposition (USP) of a brand to new heights; but a cursory orientation of a celebrity with a brand may prove to be claustrophobic for the brand. A celebrity is a means to an end, and not an end in himself/herself.

- **Event Sponsorship:** As with many forms of marketing communications, one of the primary objectives of event sponsorship is to contribute to brand equity (Keller, 2002). Therefore, when consumers encounter a brand via event sponsorship, they will have more brand knowledge about high equity brands than low equity brands. This brand knowledge will enable consumers to make judgments about sponsor-event congruence. In turn, it is expected that the extent to which a consumer perceives the linkage of a brand and an event to match up or to be congruent will influence the formation of favorable attitudes toward the sponsor. An information economics perspective also suggests that consumers draw inferences about a brand based on its market prominence, including judgments about the likelihood of sponsoring an event (Johar & Pham, 1999). Brand equity's influence on the perceived congruence of a brand-event linkage is important because sponsors with low brand equity may enter into a sponsorship agreement with the expectation of building their brands, only to be disappointed in the impact of the sponsorship on their brands. Sponsorship may be a viable brand-building platform for low equity brands but this might require the use of additional collateral marketing communications. In contrast, the impact on building customer-based brand equity for high equity brands may be inherent in their prominence and thus require less in the way of collateral support.

  Sponsorship is probably the one means of marketing communication over which managers have the least direct control. Given that sponsorship works primarily. through association with an independent property (e.g., event, cause, person), the performance or conduct of that property is decisive for the success of the sponsorship. Moreover, sponsorships create content which can be used in other communication channels such as advertising or sales promotion. One main implication of this is an accentuated need for further exploitation of sponsorships by integrating them with the other elements of the marketing communications mix.

  The integration of sponsorship into the marketing mix is also the criterion chosen by Piquet (1998) to distinguish three types of sponsorship strategies. A first category of sponsors may be described as exposure–seekers. For them, sponsorship is considered an advertising forum. A second group of sponsors strives for a close association with the event and integrates sponsorship with other communication activities. Finally, a third group plays an active role in the event, possibly influencing its content, and opts for a full integration of sponsorship into the company's marketing strategy.

- **Advertising Expenditure:** It is no doubt that clothing and accessories which can be visible in appearance have always served to communicate and convey information about the status of the wearer (Solomon & Rabolt, 2004). Schutte and Ciarlante (1998) noted that "consumer goods always have the attribute of carrying and communicating cultural meaning". Noticing the symbolic function of products, many luxury enterprises endeavor to add symbolic meaning to their goods and to create an image, thus ascribing an identity and perception of value by successfully branding and advertising the goods (Twitchell, 2002). The impact of advertising to the overall marketing program is evidenced in two ways. First, business suppliers need to constantly remind potential buyers of their products, or need to make them aware of the company's new products and services. Second, advertising may make the selling efforts more effective (Hutt and Speh, 2004). Advertising, in comparison to other marketing program activities, is cheaper since the costs of reaching the target audience through sales personnel can be very high. Advertising is a tool, used by companies for communication to their customers.

By investing in advertising, marketers aim to encourage consumers to choose their brand. For a consumer to choose a brand, two conditions must be satisfied: First, the brand must be in her choice set. Second, the brand must be preferred over all the other brands in her choice set. Advertising may facilitate one or both of these conditions.

Advertising is a major contributor to brand equity creation. However, different advertising media clearly have different strengths and disadvantages in this process. For magazine ads, selecting a targeted audience can be easy, but the timing of reader exposure to the ads is less predictable. For TV ads, TV still has a certain prestige or glamour that can enhance the message, but audiences are more fragmented than ever as the number of channels increases. And Internet ads can potentially reach a global audience, but it is difficult to gauge the impact. The internet with its hierarchical structure is a more complex medium than print, being linear sequential. By clicking through websites and choosing hyperlinks, the internet user has more control about what he actually sees, as compared to a more passive reader of a news magazine (Bezjian-Avery, Calder, & Iacobucci, 1998). A print reader will more likely be exposed to an ad, even if it is only by skimming through a magazine. On the contrary, an internet user directly clicks to an article of interest and will easier skip undesired information, resulting in less advertising exposure and thus less effective advertising. Moreover, the more active role in the internet requires deciding and thus concentration, whereas a printed magazine can be skimmed through without concentrating on navigation, allowing higher receptiveness. While news magazines are printed on paper, content in the internet can only be read at screens. This is resulting in one of the fundamental differences between print and internet: a screen will not be grasped and physically manipulated as is the case with a magazine consisting of paper. Therefore, the haptic (i.e. sense of touch) component of consuming content is different. Printed text can be touched and magazine pages turned, whereas the screen impression is controlled at distance and indirectly, through clicking on mouse, keyboard, touchpad, trackerballs, etc. The spatial plane of mouse movements is turned from back / forth to down / up. Although laptop computers or personal digital assistants with touch screens would enable a more flexible use of the internet, the predominant access medium to the internet is still a desktop computer. But even touching a screen, consisting of glass or plastic, would result in a different sensual experience than touching paper. In addition, reading a printed magazine is linked with different odors and sounds than reading at a computer screen. While this difference might not necessarily result in a less intense experience of content consumption, and thus a worse advertising effectiveness in the internet, the combination of print and online advertising can be assumed to be more effective than only exposure to either of the two media. Therefore, a specific decision is involved when brand managers choose the most effective communication programs.

A company can enhance consumer purchase behaviour of its luxury goods through careful management of its marketing communication mix, which address specific factors and dimensions. As markets and needs change, elaborating the dimensional components of the luxury product becomes important. Marketing communication programmes need to articulate a mix of symbolic images using all the elements of the communication mix in a creative but consistent and congruent way. Managers need to appreciate that luxury goods exhibit a distinctive mix or bundle of symbolic attributes, which can be used to differentiate them from standard or non-luxury goods. By examining this difference, management can convey a consistent yet more valued image, insulate the luxury product from competition, and directly influence its financial performance. This difference needs to be communicated as an integral part of the product communication. In particular, managers need to better understand the contribution made by a given marketing communication programme in terms of its role in delivering to the consumer a bundle of product satisfactions. A bundling of symbolic dimensions could help luxury product manufacturers create a lifestyle image, an image consumers then use to communicate information about them or to make inferences about others.

The impact of advertising to the overall marketing program is evidenced in two ways. First, business suppliers need to constantly remind potential buyers of their products, or need to make them aware of the company's new products and services. Second, advertising may make the selling efforts more effective. Advertising, in comparison to other marketing program activities, is cheaper since the costs of reaching the target audience through sales personnel can be very high. Advertising is a tool, used by companies for communication to their customers. The process of communicating to the target audience may begin from complete unawareness of the product on the part of the consumers. If communication strategy represented by an ad is adequate, consumers become aware of the product. This can lead to consumer's preference for the product, and the belief that the product can satisfy the needs of consumers better than competing ones. This eventually leads to actual purchase (Hutt & Speh, 2004). Advertising programs can create both product awareness and brand awareness. Consumers exposed to advertising, word of mouth and/or other means of promotion are usually able to recall the brand, even when actual brand awareness and recognition is low (Pitta & Katsanis, 1995). This means that advertising is an inevitable and a necessary tool in creating brand awareness. Nevertheless, to achieve higher levels of brand awareness, which can eventually lead to brand knowledge, the company needs to take actions to advance its advertising activities. In addition, advertising activities have very important implications for the creation of brand portfolio. One of them is the role of the advertising in brand extensions. Company spends less on advertising of the successful brand extensions than on comparable new name products. Also, advertising can facilitate the synergy among the brand extension and the parent brand.

Advertising is a major contributor to brand equity creation. However, different advertising media clearly have different strengths and disadvantages in this process. For magazine ads, selecting a targeted audience can be easy, but the timing of reader exposure to the ads is less predictable. For TV ads, TV still has a certain prestige or glamour that can enhance the message, but audiences are more fragmented than ever as the number of channels increases. And Internet ads can potentially reach a global audience, but it is difficult to gauge the impact. Therefore, a specific decision is involved when brand managers choose the most effective communication programs.

Although the Internet appears to have been replacing traditional media outlets as a source for news and entertainment, the magnitudes of the existing estimated displacement impacts are smaller than earlier predictions made during the height of the initial Internet frenzy (Gentzkow, 2007; Liebowitz & Zentner, 2010). Additionally, online and offline advertising expenditures need not be substitutes; synergies between online and offline advertising and multitasking could make them complements. For example, offline advertising can generate interest and induce searches online.

7.3 RECOMMENDATIONS FOR BUILDING BRAND EQUITY IN INDIAN INTERNATIONAL LUXURY APPAREL BRAND MARKET

Despite the fact that India has one of the fastest-growing populations of millionaires in the world, for Western luxury brands operating in the country, grabbing a piece of the market has proven more difficult than anticipated and many are in the process of re-conceiving their India strategies. Now with positive signs in the Indian economy, optimism about the industry is on the rise, as demonstrated by heightened market activity and consumer spending. However, key issues such as a relatively new market, duties, access to quality real estate etc continue to pose a challenge to exponential profitable growth. A few key questions keep bothering managers in the sector:

- How to make the luxury business a successful proposition in India?
- How big is the market really? When will the market be fully ripe?
- What operating models work and do they need to be customized for India?

Firms annually spend hundreds of billions of dollars to implement their marketing strategy. Much headway has been made explaining how these expenditures enhance brand performance over the short-term (Bucklin & Gupta 1999). More recently, attention has been focused on the longer term effect of marketing strategy on brand performance, particularly with respect to price and promotion (Boulding, Lee, & Staelin, 1994; Jedidi, Mela, & Gupta ,1999; Nijs, Dekimpe, Steenkamp, & Hanssens, 2001). Yet there has been little emphasis on the effects of perceived quality and place on brand performance that too in luxury market. Accordingly, a critical question remains (Aaker, 1996a; Ailawadi, Lehman, and Neslin, 2003; Barwise 1993; Yoo *et al.*, 2000): which elements of the marketing mix are most critical in making brands successful?

Our study shows the importance and roles of various marketing efforts in building strong brand equity. Managers can relate the findings to their brand-building strategies. To enhance the strength of a brand, managers must invest in advertising, distribute through retail stores with good images, focus on distribution exclusivity, and make judicious use of celebrity endorsements & event sponsorships.

- **Maintain Exclusivity through Price:** Luxury may be called 'supply-based marketing' whereas traditional marketing is fully 'demand-based'. In marketing of luxury products, the company first comes up with a product, then it sees at what price it can sell the product. The more it is perceived by the client to be a luxury, the higher the price should be. This is the opposite to what applies in the case of a classic product or trading up, where the marketer tries to find out at what price level there is room for a new product. Similarly, advertisements for luxury products often should show only the product, without any descriptive copy, and certainly no prices. In the luxury world, price is something not to be mentioned. As a general rule, the imagined price should be higher than it really is.

In marketing of luxury products, when an imagined price is higher than the actual price, it creates value which in turn has twin implications. *First*, when someone is wearing a luxury brand, everyone around him/her more or less knows its price, but tends to overestimate it (on account of its aura of luxury) & this increases the wearer's standing. *Second*, when offering someone a luxury gift, the gesture is all the more appreciated for the price being overestimated.

For most people, luxury is the last word in hand-crafted or craftsman-built products. Consumers from all over the world agree that 'product excellence' is the primary prerequisite of luxury. It would suffice to imagine a bisecting line between two axes – price and functional quality: at the very top right would be luxury. The aim of an upper-premium brand is to deliver a perfect product, to relentlessly pursue perfection. Consumers are therefore willing to pay more for such goods. To the marketer, it means creating a brand equity or value for which the consumer is willing to pay extra. Marketers view luxury as the main factor differentiating a brand in a product category, as a central driver of consumer preference and usage (Vigneron and Johnson, 2004). In order to understand the 'extra value', it is important for marketers or pricing managers to identify the key factors from a consumer perspective. Managers thus need to maintain the luxuriousness of their brands by managing pricing strategy so as to ensure better perceived quality without compromising brand image.

- **Focus on Store Image:** Some researchers believe that the higher the quality manufacturers give to their brands, the more likely they are to use selective distribution of their products, because they believe that the retailer's image or reputation can influence the image of brands within the store (Frazier & Lassar, 1996; Lusch & Dunne, 1990). Presenting especially important implication for the practice of strategic brand management is the fact that the image of stores in which a brand is sold has the strongest positive impact on brand image, and through this variable also on brand equity. This result underlines the importance of the brand manager's active approach in selecting and designing the distribution channels. In doing this, special heed should be paid to the effect of the selected stores on brand image, as well as that, when selecting the distribution channel members, the image of the potential channel members and the potential impact of their image on brand image, and thus the brand equity, is included as a criterion in the decision-making process. Thus, international marketers need to select retailers with a good image in order to build strong brand equity in India.

  Luxury and prestige fashion goods are targeted at consumers at the top end of the wealth scale. These products, which range from clothing and leather goods to jewellery and other accessories, are classified as sensory goods. This is because their aesthetic characteristics are best appreciated through the utilisation of the human senses of sight, touch and feel. High fashion designers such as Dior, Gucci and Louis Vuitton have created their colossal brand strengths through an emphasis on not only their product designs and quality but also on the aura of the brand, which is mostly reflected through the store atmosphere and the brand message communications. The luxury experience needs to be summed up in the store visit, the immersion within the highly aesthetic, creative and prestigious ambience of the retail atmosphere and ultimately interacting with the products through touching, feeling and sometimes smelling them. The retail store plays a prominent role in the overall luxury buying experience and is one of the key elements of successful luxury retailing.

Atmosphere is associated with words like mood, feeling, impression, environment, character, ambience and sensations.

Building customer-based store equity also involves creating store knowledge with favorable, unique, and strong associations to the store name. These associations may be primary associations, which are directly linked to the store name, or secondary associations, which are indirectly linked to store name through some other node in the customer's knowledge schema (Keller, 1993). For example, primary associations with a specific store could be the store's atmosphere, customer service, or location, while secondary associations could be the attitudes towards a particular brand that the store carries, perceptions about the general area in which the store is physically located, or the beliefs about a generic store category or retailing in general. In order for marketing managers to build store equity, marketing managers would need to not only create favorable, unique, and strong primary associations with the store but also evaluate and create favorable, unique, and strong secondary associations with the store.

Since store equity captures the differential effect of store knowledge on customer responses to marketing activities, marketing practitioners should manage store equity by (1) examining the knowledge structure in the customer's minds to (2) create marketing activities that capitalize on the potential of these knowledge structures (Keller, 1993). The first part of the recommendation involves measuring customers' aggregate store knowledge as well as measuring how the knowledge of a specific store is distinct (both positively and negatively) from the generic store category or retailers in general. Essentially, this would allow marketers to focus on those needs and wants of their customers that can be uniquely satisfied by the store. These measurements would provide managers with the information to maintain strong, favorable, and unique primary associations with the store while leveraging (minimizing) potential positive (negative) associations related to the generic store category or retailing environment, the products or brands carried, or other identified important secondary associations.

The second part of the recommendation involves evaluating how tactical options available to managers will create these knowledge structures desired by the management and/ or customer. Essentially, retailers need to recognize how the company's marketing activities might enhance, modify, or negatively alter their customers' knowledge structures (Keller, 1993). For example, based upon marketing practitioners assessment of the needs/wants of their customers, as well as an assessment of their customers' store knowledge structures, managers of a specific store should make tactical marketing decisions (e.g., store atmosphere, employee appearance, product mix lines and width, pricing strategies) based upon the concept of leveraging the positive store category associations and/or minimizing the negative store category associations rather than relying only upon managing the associations only with a specific store name.

Lack of retail space for luxury retailers in India contributes to an increasingly challenging and competitive brick-and-mortar retailer market. On the demand side, consumers have both opportunity and means to purchase what, where and when they please. Their consumption is fuelled by increasing household income and charge card spending. Therefore companies should construct experiences, either real or virtual, that afford customers an opportunity to try out and immerse themselves in thrilling and absorbing shopping activities. Consumers will choose and pay for the best experience, online or in brick-and-mortar stores. Therefore, understanding what differentiates the shopping experience is important to brick-and- mortar stores, particularly apparel retailers, when creating a differentiated market position. Experiential retailing is an emerging strategy that attracts consumers through a combination of hedonic and utilitarian values communicated through multisensory retail marketing strategies. Experiential retailing makes connections with consumers who visit stores to interact, not merely to buy merchandise. This strategy applies a holistic approach to consumption that:

- Uses emotional, as well as rational, triggers to stimulate buying;
- Focuses on what customers want out of the retail experience; and
- Strives to engage customers with more than raw product.

The shopping experience and related lifestyle of the consumer become salient in differentiating one retail bundle from another. Experiential retail marketing strategies create value addition by communicating social identity and images through a particular bundled assortment of goods, services and experiences. Experiences can be created by sensory appeal through imagery, tactile materials, motion, scents, sounds and other feelings. For example, experiential retailing incorporates entertainment in merchandising strategies as a means of attracting additional consumers. Experiential retailing seeks to keep consumers in the retail area longer and involve them in the shopping process as a means of increasing sales.

However, online & physical stores should be complementary to each other. The luxurious shopping is very different from the conventional shopping. The customers want more and more interaction with the product before making a final purchase. So the business stores should also be maintained besides the websites to attract customers. The website would be primarily responsible for the brand awareness part and the rest would be done by the retail shops. The qualitative print advertisements can also play a dominant role in reminding the customer about the extravagance of the brand. The online retail shops would provide immense business to the luxury brands manufacturers.

- **Maintain Exclusivity through Distribution Channels:** Scarcity and uniqueness are essential attributes of luxury brands in creating what is otherwise known as rarity and customization. The appeal of luxury is the percentage of exclusivity which is attached to it. Taking the snob effect into account, "luxury brands must be desired by all, consumed only by the happy few" which implies that the importance of luxury brands lies in their ability to maintain the 'rarity principle' (Dubois & Paternault, 1995). Studies in human psychology and its needs (Kemp, 1998) conclude that the longing for luxury goods is a natural flow that is graduating from the basic and mundane needs to the higher level of needs, much like Maslow's 'Hierarchy of Needs' (Maslow, 1943) where the need for a human being to find esteem is directly related to his longing for possession of luxury goods. This means that once the biological and physiological needs and the need for safety, love and belongingness is fulfilled, human beings tend to veer towards achieving the next stage of human need i.e. the need to achieve esteem in society. In such a situation the luxury goods come in handy. This is because by mere possession of luxury high value goods the consumer automatically gets some amount of esteem from the society. This is one reason why consumers always have a latent longing for luxury goods.

  Managers need to understand some of the basic principles of luxury brand management, for instance, the necessity of protecting clients from non-clients, by creating a distance, a no-mix area, or, as economists would put it, entrance barriers for those who are not invited. This is implemented through prices and selective and exclusive distribution, as well as the aesthetic dimension of the products. But for the distinctive sign to work, it must be known by all. Thus paradoxically, luxury brands must be desired by all but consumed only by the happy few. Loss of control occurs precisely when luxury brands no longer protect their clients from the non-clients. In our open democratic societies, groups are constantly trying to recreate separations of all kinds. The latter do eventually disappear when, for instance, prestigious brands get distributed in hypermarkets. The infinite multiplication of Vuitton bags also hinders the distinctive function of luxury. Likewise, distributed in large quantities, Chanel T-Shirts ended up being worn by an excessive number of women, far beyond the initial target.

Companies commonly have to juggle distribution decisions and brand image considerations. From a distribution perspective, intensive distribution can provide the products where and when the consumer wants, which implies target customers' needs can be satisfied with intensive distribution strategy (Ferris, Oliver, & Kluyver, 1989; Smith, 1992). However, from a brand image perspective, making the product available in too many places may weaken the brand image. For example, compared to Clinique, Revlon follows an intensive distribution strategy and places its cosmetic products in as many outlets as possible (drugstores, supermarkets, and online). This strategy gives Revlon the image of a convenience good. Similarly, Frazier and Lassar (1996) found that the use of too few intermediaries can limit a brand's level of exposure in the marketplace. However, using too many intermediaries can be detrimental to the brand's image and its competitive position. Intensive distribution (many stores) fits consumer convenience goods, while selective distribution (relatively few stores) fits consumer shopping specialty goods (Rosenbloom, 1995). Luxuriousness of a product is a major criterion to characterize convenience goods, shopping goods, and specialty goods. Convenience goods are more likely to be necessities while shopping and specialty goods are more likely to be luxuries. Necessity, as opposed to luxuriousness, refers to being owned by virtually everyone. The fit between channel intensity and product characteristic should be considered in designing channel structure. Less luxurious goods may require a very high level of distribution intensity while more luxurious goods may require a high degree of selectivity. In addition, less (more) luxurious goods may fit low image stores more (less) than high image stores.

The prime objective of traditional marketing is volume growth. It sets its sights at achieving leadership in market share to gain muscle with mass distributors, department stores and superstores, and presents itself as a force to be reckoned with in some of its lines. This ensures wide distribution and broad visibility. Luxury needs to excel in the practice of distributing rarity, so long as there are no real shortages. The luxury brand is something that has to be earned. The greater the inaccessibility – whether actual or virtual – the greater the desire. As everyone knows, with luxury there is a built-in time factor: it's the time spent searching, waiting, longing so far removed from traditional marketing logic, which does everything to facilitate quick access to the product through mass distribution, with its self-service stores, self-checkout systems, the internet, call centers and introductory offers. Luxury has to know how to set up the necessary obstacles to the straining of desire, and keep them in place. People do eventually get to enjoy the luxury after passing through a series of obstacles – financial obstacles, needless to say, but more particularly cultural (they have to know how to appreciate the product, wear it, consume it), logistical (find the shops) and time obstacles (wait two years for a Ferrari).

- **Invest Carefully in Celebrity Endorsements for Luxury Brands:** Rather than being able to build equity and differentiation on its own, a multinational apparel company normally looks to social icons and borrows equity for its brand in the Indian market. Celebrities appeal to consumers, who often take celebrity sponsorship as an important signal of high quality. However, the glory of celebrity is not always successfully transferred into brand personality. Because favorable meanings can be transferred to brands only when the celebrity endorsements are used appropriately (Till, 1998), multinational companies should focus on how to make the meanings carried by the celebrity endorsers infuse the brand in the Indian market. They should ensure that the features of celebrity endorsers are compatible with the brand's image, and that the celebrities are not just the spokespersons of the brand—they should be the "brand evangelists" through what they wear and say in public campaigns with conviction and passion.

  Celebrity endorsements cannot replace the comprehensive brand building processes. As branding evolves as a discipline companies must be extra cautious to utilize every possible channel of communication rather than just a celebrity endorsement. When all other steps in the branding process is followed and implemented, then channels such as celebrity endorsements can provide the cutting edge as it did for Nike endorsement romance with Tiger Woods. What Nike did was to use celebrity endorsement as one of the main channels of communicating its brand to a highly focused set of customers. So, Nike's association with Tiger Woods was one of the parts of an entire branding process that Nike has been practicing consistently.

In traditional Indian marketing, stars of stage and screen apart from Sport stars are very often used in advertising. However, using celebrities to promote luxury products is extremely dangerous. A luxury brand's typical relationship with its customers is to respect them as well as to dominate them. Calling on the services of a star is tantamount to saying that the brand needs some of this star's status just to survive, and admitting that it has none of its own. For the luxury brand, this is a gross error of strategy. Only brand domination, standing above everything like a god, is acceptable, not simply behaving like any ordinary mortal. If celebrities are used to promote the luxury product, the status of the latter is reduced to that of a mere accessory. Here is an example how Louis Vuitton advertised with Mikhail Gorbachev, former USSR President. For Louis Vuitton, he is not the hero, but only the witness of an exceptional moment i.e. disintegration of USSR- a changing moment.

Luxury brand managers need to constantly evaluate celebrities using often unclear criteria. This is largely because this strategy has been viewed for a long time as one that doesn't require complex business decision grids. With the increasing complexity of global business, especially in the luxury fashion sector, clear and structured decision criteria is required for managing the celebrity endorsement strategy. The closest thing to this that exists today is the Davie-Brown Index, developed by Davie-Brown Entertainment and i-think Inc. This index evaluates the worth of celebrities through a systematic and controlled method that resembles financial brand valuation and forecasting. It aims to remove the ambiguity that surrounds celebrity appeal. It acts as a guideline for brand managers and advertising agencies to assess celebrities and calculate their suitability for a specific product or brand image before selecting them.

- **Invest in Sponsorships:** In traditional marketing, the brand seeks to appeal and to create an affective relationship. For that it often uses music, music that is as popular as possible, or at least appreciated by its target audience. The brand follows people's tastes. A luxury brand however is a promoter of taste, like art. It maintains close links with art. But luxury is not a follower: it is creative, it is bold. That is why it is best for luxury to remain close to the unpopular arts – or rather the non-popular arts – those that are emerging and have yet to appeal to the majority, if they ever will. Louis Vuitton has long been sponsoring concerts of contemporary music, for example bringing the pianist Maurizio Pollini to the Abbaye de Royaumont to perform music by the little-known composer Luigi Nono, rather than by a great such as Mozart or Chopin. Similarly, following the pioneering work done by Cartier, the Fondations d'Art Contemporain are now flourishing in all the great luxury groups. In this way they are making themselves patrons of emerging trends, where they are forming symbiotic relationships that serve their purposes – making luxury-brand objects that are themselves works of contemporary art. Indian society has a large population of connoisseurs for art & music. By investing in such event sponsorships, luxury brand managers can reap rich dividends.

  Sponsorship generally raises public opinion of the sponsoring company and – to a much lesser extent –makes consumers more likely to buy the sponsors' products (Marshall, 1992). The critical role of sponsorship strategy in determining whether or not sponsors are successful is documented in a qualitative study conducted among Canadian firms (Amis, Slack, & Berrett, 1999). Firms which were successful had developed their sponsorship competently and made it an intrinsic part of their overall marketing strategy. Conversely, companies which had conducted their campaigns on an ad hoc basis because of resource availability or a senior executive's interest were, at best, only temporarily successful.

Overall, event sponsorship is an effective way to create brand awareness in the Indian market. It can be used to achieve both a superior quality image and strong brand loyalty. A wise international marketer will invest more in sponsorship related events (sports, music, etc.) in India in order to build strong brand equity.To improve effectiveness in enhancing brand awareness and reinforcing brand image, international marketers should consider where their commercial sponsorship programs could really reach and reflect the lifestyle of the defined target audience.

- **Invest Carefully in Advertising and Focus on Digital Branding & Spread Brand Awareness beyond Target Group:** Results of current study reveal that in the Indian market, advertising is not as effective at improving brand equity. Being a different product category, luxury apparel brands need to use advertising primarily for creating awareness but excessive use may be avoided as it leads to *massification* of brands and may in turn lead to poor perceptions of brand quality & thus poor image. Therefore, multinational advertisers really need to pay more and closer attention to the content, frequency, place, and timing of advertising in order to enhance its effect on brand equity. Although advertising is not as effective at improving brand equity in the Indian market, the international marketers should not ignore the huge potential of online and mobile advertising for target segment in India. Therefore, the managers need to focus on digital branding. Moreover, the managers need to spread the awareness about luxury brands beyond the target group. Both these issues have been discussed in subsequent sections:

  - **Focus on Digital Branding:** It is necessary to take into account consumer perceptions of luxury. A company can stimulate consumer purchase behaviour of its luxury products through careful management of its marketing communication mix by addressing specific factors and dimensions relevant for modern consumers on an international level. The luxury market has finally made its way into the mobile space. The online share of the luxury market is rising quickly, albeit from a low base – from 3 percent in 2009 to an estimated 5 percent in 2011. Even more important, though, is that half of these consumers browse online before browsing in person. The online channel is going to loom ever larger; upscale department-store shoppers spend twice as much online as other shoppers. The challenge for companies is to balance the transparency and accessibility of the web while protecting their positioning as exclusive and luxurious[35.1].

    Globally, Fendi and Hugo Boss have recently launched iPhone applications. Luxury brand Chanel is promoting its newest collection via mobile. The new Chanel Haute Couture Spring-Summer 2010 application lets users view the 2010 collection, get the latest news about the brand and find a boutique near them[ℵ]. Additionally, the new Lovely Game Chanel application asks consumers to play a game where they can discover the latest Chanel accessories. Donna Karan recently made its debut into the mobile channel, with the launch of an iPhone application that showcases the designers fall runway show. Ralph Lauren and Dolce & Gabbana also have a mobile presence, with both mobile sites and iPhone applications. The reason that luxury brands are flocking to the application market is that consumers on the Android and iPhone platforms continue to be actively engaged with applications. With the growth of the Smartphone market in India, there is real reach for luxury brands to tap.

[ℑ] Five trends that will shape the global luxury market. Retrieved July 5,2011 from http://csi.mckinsey.com/en/Knowledge_by_topic/Consumer_and_shopper_insights/globalluxury.aspx

[ℵ] Luxury brands need 360-degree mobile strategy. Retrieved July 5, 2011 from http://www.mobilemarketer.com/cms/news/advertising/5517.html he mobile web is a good way to reach consumers. For some retailers, it has even roved to be an additional sales channel but not too many luxury brands have a ıobile or mobile commerce-enabled site. Mobile sites can prove effective at driving affic and attendance in-store, brand awareness, user engagement and customer ›yalty. Mobile marketing is moving beyond its perceived niche targets to reflect the onsumer as whole, meaning that luxury brands should tap into the mobile arena to each consumers beyond just iPhone applications. The level of personal connectivity ıobile affords means luxury brands can reach consumers at each step in the ıarketing funnel – awareness, trial, persuasion and loyalty – to deliver brand affinity nd drive sales. Luxury marketers therefore need to make the experiences of mobile onglasting for the consumers. With the ongoing evolution in location-based services nd mobile commerce, combined with a high penetration of Smartphones within the arget audience, luxury brands have no choice but to test the waters if they haven't lready.

There are hosts of intricate strategies to overcome the challenges of integrating luxury rands with the changing environment. The compatibility of luxury brands with the nternet seems fairly well. The virtual markets can maximize the presence of brands round the consumers. Although luxury industry has so far not opted for this medium s a basic ingredient of their aggressive market campaigns but still its future looks ertile. This involves the creation of corporate websites so that the consumers could nteract with the particular brand. The internet is always known for its creativity and nnovation so it can provide hosts of advantages to the luxury branding strategy. The ore idea of branding through the digital context is directed to increase the market hare by raising the customer awareness about explicit band.

However, managers need to be careful that website and e-store design seek to achieve nore than basic, functional requirements such as providing a conducive and pleasant hopping experience. E-retail involves a constant flow of innovative means of lifferentiation that will meet the expectations of the online consumer in order to generate more online traffic and maintain customer loyalty. The challenge of selling uxury goods online is enormous. The luxury shopping experience is different from he conventional shopping experience. Luxury goods are sensory in nature and their purchase requires a high aesthetical appreciation and the utilisation of the human senses of vision, aural, smell and touch. This often requires human and physical store presence, which is absent in the online virtual environment. The Internet also lacks the exclusive and prestigious locations where the luxury stores are situated. Moreover, online luxury consumers have high expectations and this includes their belief that although the luxury e-boutique is available to the masses, it should be designed to feel right to only a select few. Fortunately, with feasible strategies, this could be possible. Strategic luxury e-retail design and planning involves the utilization of certain key elements to transfer the 'looks and feel' of sensory goods and the prestigious atmosphere to the e-boutique virtual environment.

- **Spread Brand Awareness Beyond Target Group:** Luxury has two value facets – luxury for oneself and luxury for others. To sustain the latter facet it is essential that there should be many more people who are familiar with the brand than those who could possibly afford to buy it for themselves. In traditional marketing, the keyword is efficiency as there has to be a return on investment. In advertising for example, the media plan must concentrate only on the target consumers as every person reached beyond the target is a waste of investment money. In luxury marketing however, if somebody is looking at somebody else and fails to recognize the brand, part of its value is lost. It is essential to spread brand awareness beyond the target group.

Generally, the results of this study demonstrate that different marketing strategies have different levels of impact and work in different ways on creating brand equity. A single marketing effort or a few efforts alone may not be able to build strong equity. Therefore, using a package of marketing efforts may be probably more effective in gaining a foothold in the international luxury apparel brands market, especially when most of these brands are still in the introduction stage. Another important implication is that when allocating marketing budgets to individual marketing mix elements attention must necessarily be paid to the potential impact of a specific marketing mix element on the creation of brand equity. This further means that the potential impact of individual marketing mix elements on brand equity must be included as criterion in deciding on the allocation of marketing budgets to individual marketing mix elements.

The research results also point out to the need for careful selection of individual marketing mix elements such as advertising spend or distribution exclusivity in order to build brand equity. This additionally emphasizes the importance of a strategic approach to brand management as a means of avoiding that fulfilment of certain short-term goals (e.g. short-term increase in sales) disrupts the possibility for long-term sales growth and achievement of sustainable competitive advantages, undoubtedly resulting from high brand equity.

Finally, in order to succeed in India, luxury brands need to localise their marketing strategies. This goes further than just putting an Indian print on a bag or collaborating with a local celebrity. A multitude of cultures, languages, religions, festivals, colours and tastes make up this land of 1.1 billion people. So, it's about understanding the difference between the flamboyant nature of a Punjabi customer and the more reserved nature of a Gujarati, and speaking to each of them in the specific cultural register that they respond to. When creating invitations for potential consumers in the Punjab in northern India, for example, the invitations by Montblanc are more lavish and the language more boisterous than those sent to consumers in southern India. It ensures personal contact with your consumer.

Brands like Louis Vuitton and Rolls Royce have also localised their approaches, identifying important events and celebrations amongst potential clients and arriving with personalised gifts or a surprise car service for the occasion. Getting traction in the Indian sub-continent has been a challenge for every Western luxury brand that has tried to crack this complex new market. Those brands who are willing to better understand and connect with the local Indian consumer will be the ones who are most successful. The summary of recommendations is given in Table 7.2.

Table 7.2: SUMMARY OF RECOMMENDATIONS

PRICE	• In the luxury world, price is something not to be mentioned; and as a general rule, the imagined price should be higher than it really is. • The luxury marketers need to create brand equity or value for which the consumer is willing to pay extra. • It is important for marketers or pricing managers to identify the key factors from a consumer perspective. • Managers need to maintain the luxuriousness of their brands by managing pricing strategy so as to ensure better perceived quality without compromising the brand image.
STORE IMAGE	• The luxury experience of customer needs to be summed up in the store visit i.e. the highly aesthetic, creative and prestigious ambience. • In order to build store equity, marketing managers need to not only create favorable, unique, and strong primary associations with the store but also evaluate and create them. • The companies should construct experiences, either real or virtual, that provide customers an opportunity to try out and immerse themselves in thrilling and absorbing shopping activities. • Experiential retailing is an emerging strategy that attracts consumers through a combination of hedonic and utilitarian values communicated through multisensory retail marketing strategies. • Online & physical stores should be complementary to each other.
DISTRIBUTION EXCLUSIVITY	• Through selective and exclusive distribution, managers need to protect luxury brand clients from non-clients, by creating a distance, a no-mix area, or, by creating entrance barriers for those who are not invited, • From a brand image perspective, making the product available in too many places may weaken the brand image. • The luxury brand is something that has to be earned. The greater the inaccessibility – whether actual or virtual – the greater the desire.
CELEBRITY ENDORSEMENTS	• Multinational companies should focus on how to make the meanings carried by the celebrity endorsers infuse the luxury brand in the Indian market. • Managers should ensure that the features of celebrity endorsers are compatible with the brand's image, and that the celebrities are not just the spokespersons of the brand but are the "brand evangelists". • Celebrity endorsements cannot replace the comprehensive brand building processes. • Luxury brand managers need to constantly evaluate celebrities. • With the increasing complexity of global luxury fashion sector, clear and structured decision criteria is required for managing the celebrity endorsement strategy.
EVENT SPONSOR SHIPS	• By investing in event sponsorships, luxury brand managers can reap rich dividends. • Event sponsorship is an effective way to create brand awareness in the Indian market & to achieve both a superior quality image and strong brand loyalty. • Marketers need to invest more in sponsorship related events (sports, music, etc.) in India in order to build strong brand equity.
ADVERTISING EXPENDITURE	• Luxury apparel brand managers need to use advertising primarily for creating awareness but excessive use may lead to massification of brands and thus poor perceptions of brand quality & thus poor image. • International advertisers really need to pay more and closer attention to the content, frequency, place, and timing of advertising in order to enhance its effect on brand equity. • The managers need to focus on digital branding and spread the awareness about luxury brands beyond the target group. • The challenge for companies is to balance the transparency and accessibility of the web while protecting their positioning as exclusive and luxurious. • Luxury brands should tap into mobile arena to reach consumers. • Managers need to be careful that website and e-store design seek to achieve more than basic, functional requirements such as providing a conducive and pleasant shopping experience.

7.4 CONCLUSIONS

The business of luxury was always there in this world since ancient times in most of the civilizations. Earlier the clientele of luxury brands was always restricted to the upper echelons of the society. Now the world is seeing a phenomenon where the middle and upper middle class also has the buying power to possess luxury brands of goods and services. This does not mean that these goods have lost their sheen or value. Instead they are witnessing a growth in their market segment across regions in the world, the bulk of which are coming from the newly emergent economies like China, Brazil and India.

The growing affluence levels of the people across the world and in India point to the fact that there is tremendous scope for the luxury goods market in future and especially in the newly emerging economies like India. Like many other industries in India, it is of great interest to both international and Indian players. International brands see India as an emerging luxury market which could become a significant part of their portfolio tomorrow. Indian companies also see the growth at the top end of the market as an opportunity to introduce premium offerings. This enthusiasm was reflected in the first moves of several iconic international brands in the last decade. Indian companies have also seen the opportunity and a handful of players are now very active in the space. Apart from luxury products such as watches, apparel, accessories, large Indian five star hotel chains, fine dining and spas, apart from luxurious houses, the latest luxury cars and yachts have expanded the definition of luxury. As India is a high value market that has scope to give directions to luxury product categories & Indian consumers are evincing quite an interest for acquiring luxury goods, it is imperative that luxury's future development is studied in this country.

Luxury brands are the acme of brand management. More than any other type of brand, the luxury brand sustains itself on the image of the brand rather than aspects inherent to the product. Objectively Gucci bag is just another bag. Yet, as we all know this isn't the case because it carries a high luxury brand. With the label, the luxury item takes on a role communicating style, preference, social status and discernment. Luxury brands trade in aspiration. They are usually the highest-priced and highest-quality items in any product or service category and provide the consumer with an elite experience or a sense of prestige. Rare and enjoyable experiences also qualify as luxury purchases, and are becoming increasingly popular. Luxury brands need exclusivity, market presence, emotion and trendy associations. Luxury brand managers must therefore develop a good understanding of how the market place is evolving.

Luxury goods and service provision is a high-margin game in which fewer customers purchase more expensive items, making competition for the luxury customer's share of wallet fierce. Not surprisingly, there is a big push by marketers to position—or reposition—their brands to better capture the attention of this specific demographic. Their challenge is reaching today's luxury consumer. Connecting with this group is no longer just about proper messaging; it's also (perhaps even more so) about creating a positive, memorable, and emotion-evoking experience. Brands that are upscale—or aspire to those heights—must understand that the experience they create around their brand is now the critical differentiator. The brands that come out ahead will be those that collect and then leverage their knowledge of the needs and desires of this sector, and consistently exceed its expectations. Truly luxurious brands allow customers to give up control and to trust that they will not be disappointed in the item's quality—or in the service and ownership experience around it. The service aspect cannot be uncoupled from the product where luxury is concerned; the two are completely intertwined and interdependent. Delivering on this customer category's expectations, which are very subjective and sometimes vague, is a daunting task—but it is also the main reason people are willing to pay the premium.

Brand equity has received a great deal of research interest in the past two decades and continues to be one of the most appealing fields of marketing for private sector firms. Brand equity issues are important in the design and development of a company and its product or service offerings. Brand equity is a commonly accepted cornerstone of marketing strategy. The tools used to create brand equity are simply the elements of marketing mix and the challenge is how to combine them in new & different ways. Brand equity can be created with the use of marketing mix to create changes in the consumer's perception of quality, level of brand awareness, brand associations & brand loyalty which then influence brand equity. Brand equity cannot be either built or destroyed in the short run but can be created only in the long run through carefully designed marketing investments. Thus, brand equity is durable and sustainable, and a product with strong brand equity is a valuable asset to a firm.

Our study shows the importance and roles of various marketing efforts in building strong brand equity for international luxury apparel brands in Indian market. Many improvements exist in the current study as compared to that of Yoo at al. In this study; the sample was a consumer sample rather than student sample; there were a variety of marketing activities; four brand equity dimensions rather than three were used in this study and different variable measurements including different types of advertising i.e. print, television & web were included. Managers can relate these findings to their brand-building strategies. To enhance the strength of a luxury brand in Indian market, managers need to invest in advertising, distribute through retail stores with good images, focus on distribution exclusivity, and event sponsorships. As for price, a higher price will lead to an increase in perceived quality but may not enhance the overall brand equity. Similarly, Celebrity endorsement will help in creating brand awareness but may not enhance the overall brand equity, perceived quality & brand association.

Finally, there is no instant formula for success in the Indian luxury market. Everything about India is different—the consumer, the challenges and also opportunities for luxury players. The Indian consumer is in a state of flux – evolving rapidly, but perhaps along a path that is inherently different from that taken by other developing economies. Several luxury players have managed to seize opportunities in the market early. We believe that the critical factors for success in this market include exploring formats that will enable players to attract footfalls; getting the pricing right to encourage Indians to purchase locally; providing a world class experience e.g. ambience and service; getting the cost structure right by ensuring the cost base is justified by the sales realized; getting access to local expertise to get the best real estate deals; experimenting with new formats such as a luxury discounter (liquidation channel) that can help open the market by getting consumers exposed to last year's collections at attractive prices and help them move up the ladder. While we believe there is a clear opportunity to make an impact in this market, a systematic, smart and careful approach is what will differentiate the winners from the losers in the long run.

CHAPTER 8

LIMITATIONS & DIRECTIONS FOR FUTURE RESEARCH

Although we have successfully explored effects of marketing activities on creating brand equity in the International luxury apparel market in India by using a structural model and provided important theoretical & managerial implications, this study suffers from certain limitations. Overcoming these limitations can serve as directions for future research.

This study focused only on the five north Indian cities. Further studies may need to be conducted if the findings need to be generalised to other regional markets of India e.g. South, West & East. Second, this study examines only the effect of individual marketing decision variables and does not investigate the interactions among them. For example, whether an interaction, a direct and/or indirect effect exists between perceived product quality and purchase intentions, marketing scholars agree that a relationship between these two constructs exists. Similarly, the means of distribution and price can also impact brand choice and evaluation. Overall, it may be that price is not the only cue used to evaluate quality or value or influence consumer choices. Rao and Monroe (1988, 1989), for example, suggest that price has a moderate effect on perceptions of quality, and is used in the presence of other cues such as brand name and distribution. Since marketing strategies are interactive by nature e.g. celebrity endorsement could interact with advertising, it is the mix of strategies that both scholars and managers need to understand in the context of developing and improving brand equity. Kanungo and Pang (1973) also found that the fit of a model to a product is an important variable in product advertisements as there appears to be an interaction effect between the two variables. For example, it was found that males are better suited in adverts for cars, and females for sofas. The fittingness of the gender of a model and the advertised product was thought to be reliant on the stereotypical image the product possesses. This study shows that the mere presence of a person will have an effect on a product category, and that some product categories fit better with a certain gender of the source.Therefore, an important future research issue is the interaction effect of brand equity dimensions on brand equity.

Brand equity and its consequences are likely to have reciprocal relationships by affecting one another. For example, on the basis of the information economics and market signaling theory, Swait and colleagues (1993) suggest that a product of high brand equity signals high quality when the customer imperfectly observes product attributes. The positive signal brings value for the customer, as Aaker (1991) proposes. Longitudinal analysis may be helpful to reveal such dynamic relationships.

Certain variables e.g. apparel involvement which may affect the relationships between marketing efforts & brand equity also need to be investigated. Zaichkowsky (1985) developed the Personal Involvement Inventory (PII) to define the concept of involvement for products. PII has been used extensively by clothing and textile researchers and has been found to be a reliable and valid measure of apparel involvement (Shim & Kotsiopulos, 1991). Shim and Kotsiopulos (1991) use the PII scale to measure apparel involvement and its role in segmenting the big and tall men's market.

This study uses perceptual rather than actual measures of marketing efforts. It would be more meaningful to use marketing data from sources such as scanner data. Perceived marketing efforts could be illusive reflections of brand equity, distinct from actual marketing efforts (Yoo *et al.*, 2000). Therefore, future research needs to examine the effect of actual marketing variables on brand equity where researchers could design and conduct experiments manipulating the level of marketing effort (s).

Another limitation is that this model tests only a few marketing efforts. Future studies may examine more marketing activities to enhance the explanatory power of the brand equity phenomenon. For example, Yarbrough (1996) describes integrated marketing communications as an aggressive marketing plan that captures extensive information about customers through a database and other means uses those data to target specific customers through marketing strategies—advertising, promotions, direct mail, etc.—and then completes the circle by evaluating the effectiveness of those strategies, so the next cycle is even more successful. The future studies may thus incorporate the effects of different integrated marketing communication activities rather than only advertising.

In addition, some might argue that the variables of this study are too broad. For example, all advertising builds a brand. Studying which type of advertising viz. print, television or internet builds a strong brand will be more insightful for developing specific advertising strategy. Similarly, the way that a product or service is distributed can impact upon brand equity (Stader & Shaw, 1997; Keller, 2002). In the current marketing environment organizations have the choice of distributing their goods or services by traditional retail outlets, or by adopting the increasing use of e-commerce (Kiang, Raghu & Shang, 2000; Donthu, 1999). Consumers are then presented with an option to either shop at the retail store, or to engage the growing wave of online shopping (Spiller & Lohse, 1998; Stader & Shaw, 1997). We have discussed only the brick & mortar stores in the current study & recommend the future researchers to focus on online distribution as well. Similarly, the current study has used only celebrity endorsement as a marketing effort & we recommend that specific issues such as attractiveness of celebrity should be studied by future researchers.

An in-depth study of brand equity dimensions can be of further interest for future research. For example, perceived quality has attracted the interest of practitioners and researchers because of a belief in its beneficial effects on marketing performance. Indeed, the belief that high perceived quality leads to repeated purchases is the bedrock of any business. Thus a better understanding of the relationship between perceived product quality and product involvement, consumer satisfaction and purchase intentions may help academics develop a model of consumer decision making. It may also provide practitioners with indications as to where best to devote marketing attention and scarce corporate resources. More research is necessary in studying the role of perceived quality in goods. Perhaps more emphasis on the distinctive characteristics of perceived quality in different product categories will enable marketing academics and practitioners to study and manage perceived quality and related constructs (e.g., perceived value, loyalty, product involvement, satisfaction, and purchase intentions) more thoroughly. Furthermore, it is possible that other variables are also important to the purchase decision making process. Thus, the effects of external cues (e.g., price, brand name, warranties) and information sources (e.g., internet, ads, and friends) on perceived quality, overall satisfaction, product involvement and purchase intention should be investigated.

Another related area of research that requires further exploration is how consumer perceptions of brands are likely to be shaped by brand characteristics, such as the intrinsic properties of different brand names (Zinkhan & Martin, 1987; Meyers-Levy, 1989; Pavia & Costa, 1993). To elicit perceived country of origin associations, many brands use cues that are either implied in the brand name or in promotional appeals (Agrawal & Kamakura, 1999). This is particularly true within categories in which perceived origin or national identity is exceptionally important to their image (e.g. Gucci and Tag Heuer signify Italy and Switzerland, respectively, to many consumers). These perceived origin associations are a powerful source of brand appeal, as marketers have demonstrated through focusing advertising on origin associations in many product categories. For example, Porsche ads often show a German test track, to reinforce its German origin association. Finally, Christian Dior uses the French word, "Parfum", in its advertising to reinforce its French origin association. While issues relating to origin associations in general have been long considered in the country of origin (COO) literature, very little research has focused on the effects of brand origin associations (d'Astous & Ahmed, 1999).

A review of past research on store image reveals a thorough understanding of the effects of building favorable, unique, and strong primary associations embedded in store image, including how positive store associations predict retailer choice (e.g., Hildebrandt, 1988; Grewal, Monroe, & Krishnan, 1998), store satisfaction (e.g., Bloemer & de Ruyter, 1998), competitive positioning (e.g., Burt & Carralero-Encinas, 2000), and store loyalty (e.g. Sirgy, 1985). On the other hand, far less emphasis in prior retailing research has been placed upon understanding secondary associations and their impact on customer behavior. These secondary associations are important for building customer-based store equity in terms of understanding leverage, as well as competitive overlap specific associations, held in the customers' minds. For example, when discussing how images are formed through category-based information processing, Keaveney and Hunt (1992) suggest that researchers no longer focus exclusively on identification of store attributes or the importance of those attributes. Instead, questions of interest would include categorization processes and schema development, activation, and change. In terms of building customer-based brand equity, the answers to these "questions of interest" would enable managers to potentially leverage positive secondary associations while forming unique associations with a specific store name to minimize negative secondary associations.

Many researchers believe that customer perceptions of quality do respond to changes in quality, albeit slowly, and that quality changes "become noticeable (to customers) only in the long run" (Bolton & Drew, 1991). For example, while Toyota is currently reaping the benefits of higher perceived quality, it took many years for customers to recognize its quality advantage over U.S. automakers (Mannering & Winston, 1991). Similarly, in the case of search engines, it took Google three years after launch to be perceived as the superior search engine (see http://www. google.com / corporate / timeline.html). To understand such long-term aspects of the business environment, researchers have often called for more longitudinal studies (Golder, 2000). In fact, there is a growing body of literature that seeks to understand the long-term effects of marketing variables (Jedidi *et al.*, 1999; Lal & Padmanabhan, 1995). But these studies tend to focus on price, promotion, and advertising. The few longitudinal studies examining quality consider relatively short-term effects or they are based on single-company or experimental data (Bolton & Drew, 1991; Prabhu & Tellis, 2000; Tellis & Gaeth, 1990). Thus, there are no large sample studies on the effects of quality, the duration of these effects, and how they change by product and category-level characteristics (Fornell, 1995). Yet, it is critically important for managers to know about these effects for their own products as well as competing products. Such information can help them make better decisions about the amount and timing of investments in quality and new product development as well as about pricing and promotions.

Internet has drastically changed the way that business organizations manage their brand (de Chernatony, 2006). With the popularization of interactive devices available via the Internet, brand management principles dictate the need for utilizing blogs, podcasting, and social network sites (e.g., Facebook) to build and enhance brand image with consumers. However, despite the undeniable importance of modern communication with consumers and stakeholders, there is a lack of empirical evidence focusing on the electronic branding strategies available in the apparel industry. Thus, there is a strong need for research that examines the potential uses of technological mediums as part of the overall marketing plan for building Customer based brand equity.

In addition, consumer values in the Indian market seem to be changing quickly because of growing influence of globalization in every aspect of consumer life in developing countries. Therefore, consumers' attitudes toward particular marketing efforts may also change accordingly. For example, the luxury levels of imported apparel brands may also decrease in the future with higher income and living standards in India. Thus, continuous updating of studies for understanding changing consumer attitudes in this market is a must.

The role of brand equity in the firm's success also needs to be studied. Brand equity may generate value not only to the firm and the customer but also to the employee, the shareholder, and management because it is the only common integrating factor with which the organization can succeed (Schultz, 1998). When every strategy and business decision is made to enhance brand equity, all stakeholders are likely to win. This stream of thought needs to be further elaborated.

Similarly, the focus of research in this study has been primarily on consumer based brand equity. Since successful brand equity management is related directly to the long-term success of the product in the market, the changes in brand equity can explain the efficiency and effectiveness of marketing programs. Thus, how much the invested marketing expenses have increased brand equity can indicate the impact of marketing activities. Future researchers, therefore needs to investigate the linkage among the type of marketing program, marketing expenses, brand equity, and financial measures such as sales and profits.

The current study has not focussed specifically on demographics e.g. females & youth. The products that are today found in the luxury segment are more targeted towards women consumers. This is because luxury buying requires more time and attention as it is a high involvement purchase, which generally is found with female consumers (Woodruffe, 1997). This may be the reason of luxury brands targeting the females more than the males. Even many other products in the luxury segment e.g. luxury clothing, jewellery and related accessories naturally attract womenfolk (Phillips, 1997). In the Indian society especially it is the women folk who are becoming the largest buyers of luxury goods. According to a report (Bellman, 2007) the number of global luxury brands coming to India can be termed to be a deluge of sorts, with the celluloid stars creating the right atmosphere for the acceptance of these products in India by their personal usage and endorsement. This is coupled by the growth of a new breed of working women who are earning handsomely, and who want a certain lifestyle to maintain their status in society. Then there is the ever present traditional Indian women group from the middle class and upper middle class who always had the penchant for buying all types of luxury goods. Similarly youth i.e.

generation Y has exposure to high technology and economic independence since their upbringing days, as a result of which their preference has always been spending on technology goods and brands perceived to have quality and class. Moreover, there is a predilection amongst the generation Y to go for quality goods, and the connection that can be had between luxury and Generation Y is their preference for quality and advanced technology. Also, Generation Y is one of the trendsetters in product innovation in the market place and they are to some extent the drivers of a category of luxury goods that are high on technology.

Future researchers may also focus on the role of brand communities in building brand equity. "Brand communities" (Muniz & O'Guinn, 2001; McAlexander *et al.*, 2002) is a concept found in literature that can strengthen brand equity, while also reinforcing the social nature of brands. "Brand communities carry out important functions on behalf of the brand, such as sharing information, perpetuating the history and culture of the brand, and providing assistance. They provide social structure to the relationship between marketer and consumer" (Muniz & O'Guinn, 2001). Muniz and O'Guinn (2001) define a brand community as a "specialized, non-geographically bound community, based on a structured set of relationships among admirers or a brand". According to their research, brand communities share three core characteristics: the existence of a consciousness of a kind, the presence of shared rituals, and a sense of moral responsibility between members. Communities of interest are groups of people that have common interests and knowledge and share a passion for similar products, qualities, ideas and values. Interaction within these communities supports further knowledge accumulation and exchange and supports the self-refinement of the individual. Intensified, growing interaction tends to increase size of communities, whereas declining interest and interaction among members tends to decrease size. Reinmoeller (2002) states that communities extend their knowledge by direct interaction between members, but also through addressing literature and blogs. Communities can be extremely diverse because of multiple factors, for example cultural background and profession. As a result people may be members of more than one community of interest in contemporary society based on multiple interests and situational context, for example when working or spending free time. Instead of traditional layers of social classes, society may be structured through communities of interest where people may move freely between them according to for example increased knowledge or changed interest. Luxury can be seen as pleasure with products that emerges through interaction within communities. This interactivity results in a shared understanding and experiencing of products and therefore the emerging of appreciation of products. This results in appreciation of products that can lead to products becoming seen as a luxury, that is, only if the product is highly recommended and understood within the community of interest. The shared understanding of qualities and meanings of products is important in the individual's appreciation of these products. This corresponds with the idea that a luxury product should be widely desirable, at least within the community of interest. The understanding and recommendation of the products by people is dependent on the sign-value that a product offers for the community of interest. If a product is lacking one's interest because of diff erent knowledge or diff erent context, it will not correspond with the highest levels of appreciation and may not be considered a luxury, attainable or not. This clarifies Mortelmans' ideas about luxury as a social phenomenon apparent in all layers of society. He mentions that every community can have its own diff erent type of luxuries. As an example he emphasises that a product that is traditionally considered a luxury good, such as a Cartier watch, does not have to be considered a luxury good in a particular community, whereas a television may be considered a luxury good in that community (Mortelmans, 2005). Thus the role of brand communities in building brand equity also needs to be investigated by focussing more on psychographic profile rather than demographics of customers.

Corporate social responsibility (CSR) must be mentioned as another concept that is influencing the development of brands now-a-days, especially corporate brands. Both branding and CSR have become crucially important now that the organizations have recognized how these strategies can add or detract from their value (Blumenthal & Bergstrom, 2003). Criticism of business is more far-reaching than ever before due to higher expectations of businesses today (Smith, 2003). As Smith and Alcorn (1991) mention, corporations have integrated marketing strategy and social responsibility, and this integrated strategy has been labeled "cause marketing". Because corporations already invest in both branding and philanthropy, the rationale for integrating branding and CSR derives from the synergies created when both strategies merge (Blumenthal & Bergstrom, 2003). Similarly CSR sponsorship rather than only sponsorship may be area of interest in future studies. CSR sponsorship has arrived and with it has arrived a lot of opportunities to enable major companies and brands to reposition themselves in the eye of the consumer. CSR is an essential consideration for most major companies in today's world. In particular, listed companies with an obligation to shareholders need to be seen to be fully aware of their social and environmental obligations. Sponsorship has provided a ready-made solution and its impact over the years has been immense resulting in some outstanding campaigns and also some very long-running programmes.

Further research may also be conducted using few non marketing variables such as research and development (R&D). R&D costs are also seen as important in the long-term view of building brand equity. Companies that are reactionary to changes in the marketplace rarely possess high brand equity and are frequently followers of those that do. A company must have a long-term view in building brand equity because branding will usually involve a great deal of short-term costs, but provide the potential for a promising long-term future. Consider the example of Intel Corporation, the market-leader in the production of computer processors. The company invests heavily in research and development so it will stay one step ahead of the competition and as a result be able to execute a skimming pricing strategy. The company is known as the product innovator and commonly first to market with its products that are perceived as the most advanced. As a result of its high expenditures in research and development, the company is able to command a high initial price while the competition seeks to duplicate its technology and then Intel reduces the cost when its current product offering is no longer the only advanced option for consumers.

Finally to increase the generalizability of the findings, replicating this study with more product categories e.g. luxury durables & services is recommended. Advanced industrialised societies have a population where the differences between incomes have become smaller. The middle class of these societies have become more affluent and represent a large part of the population. Together with the increasing importance of experience, this has resulted in a new market that has responded to these changes by creating 'masstige' (mass-prestige) products and was described as the new luxury by Silverstein and Fiske (2003). Masstige products are premium products that are placed between common and luxury brand products. They often offer emotional engagement, technical differences and superior functionality. These products can have characteristics of both perspectives of luxury and may be used accordingly. However, most of them may be used for self-actualisation corresponding to the democratic attitude toward luxury. In addition they support establishing or maintaining an identity through intangible value for a relatively high price. Therefore, marketingwise, this is assumably the most interesting segment in contemporary society.

To summarise, this study is one of the first few Indian studies to systematically examine the impact of marketing efforts on brand equity of international luxury apparel brands in India. However, the results from this research should be interpreted with caution. While many of these findings are transferable to other luxury producers, there are some (such as the focus on "place") that could be context specific. Further research should seek to replicate these findings, using a mixed method approach (a grounded theory study across a range of different luxury producers). The deliberate focus on producers from a number of countries should limit concerns about these findings being limited to one particular cultural context (e.g. India); however, the emphasis on certain cultural values and the institutional context of luxury production highlights important path dependent and institutional issues that should be accounted for in future studies. Finally, future research needs to understand these brands from a historical perspective, because these brands were very much products of history. Rich, individual case histories of these brands, and the marketing approaches used could provide useful insights into this market.

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APPENDIX—A

Calculation of Composite Reliability & Average Variance Extracted

Composite Reliability (CR): was calculated using the following formula

$$\boxed{CR = \frac{\left[\sum_{i=1}^{n} sl_i\right]^2}{\left[\sum_{i=1}^{n} sl_i\right]^2 + \sum_{i=1}^{n} e_i}}$$

where:

sl_i = standardized loadings for the indicators for a particular latent variable
e_i = corresponding error terms

(where error is 1 minus the reliability of the indicator, which is the square of the indicator's standardized loading)

Average Variance Extracted (AVE) was calculated as follows:

$$\boxed{VE = \frac{\sum_{i=1}^{n} sl_i^{\,2}}{\sum_{i=1}^{n} sl_i^{\,2} + \sum_{i=1}^{n} e_i}}$$

where:

sl_i = standardized loadings for the indicators for a particular latent variable
e_i = corresponding error terms

APPENDIX—B

Questionnaire

All information entered shared will be used only for academic purpose of evaluating your opinion maintaining strict confidentiality.

Section 1

1. Among the following international luxury apparel brands, please choose **only one brand** which you have used during past two years. Please put a (√) against your choice.

S.No.	Brand	Please tick on only one (√)
1	Louis Vuitton	
2	Gucci	
3	Chanel	
4	Hermès	
5	Prada	
6	Burberry	
7	Dior	
8	Zegna	
9	Ferragamo	

2. (a) Did you purchase this brand? Yes /No

2. (b) Continue to following section, if your answer to 2(a) is *Yes*.

Section 2

The questions that follow require that you focus on the brand you have already chosen. This brand will be referred to as brand X in all subsequent questions. Do not be concerned about whether this brand is typical or unusual, important or unimportant, pleasant or unpleasant.

Think about this brand indicated above, and answer the following questions by filling in the number on the questionnaire that best represent your answer. Please make sure that you answer all questions. There is no right or wrong answer to the question, your answers should reflect your true feeling.

Section 3

'he following statements describe X. Using the following scale, please fill in your response) each question below.

Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
1	2	3	4	5

This brand is very well known to me	1	2	3	4	5
I am aware of X brand	1	2	3	4	5
This brand is not known to me ®	1	2	3	4	5
Some characteristics of X come to my mind quickly	1	2	3	4	5
I can quickly recall the symbol or logo of X	1	2	3	4	5
I have a clear impression of the type of people who use X brand	1	2	3	4	5
X is associated with sophistication	1	2	3	4	5
X would be my first choice	1	2	3	4	5
I will not buy other brands if X is available at the store	1	2	3	4	5
I will suggest X to other consumers	1	2	3	4	5
X is of high quality	1	2	3	4	5
X is a quality leader within its category	1	2	3	4	5
X appears to be of very poor quality ®.	1	2	3	4	5
It makes sense to buy this brand instead of some other brand even if they are the same	1	2	3	4	5
Even if another brand had the same characteristics as this brand, I would rather buy this brand	1	2	3	4	5
The name X may be the primary reason to purchase X	1	2	3	4	5
Price of X is low ®	1	2	3	4	5
X is expensive	1	2	3	4	5
X is cheap ®	1	2	3	4	5
The number of stores selling this brand is fewer than the number of stores selling competing brands	1	2	3	4	5
X is not available in all stores	1	2	3	4	5
The distribution of X is more intensive than its competitors®	1	2	3	4	5
This brand seems to invest more in sponsorship of various events than competing brands	1	2	3	4	5
I often notice this brand as a sponsor of various events	1	2	3	4	5
Compared to competing brands, I notice this brand more often as a sponsor of various events	1	2	3	4	5
X doesn't use celebrity in its ads®	1	2	3	4	5
The celebrity endorsements for X seem very expensive compared to campaigns for competing brands	1	2	3	4	5
My opinion about X's celebrity endorsements is very high	1	2	3	4	5
X can be bought only in high-quality stores	1	2	3	4	5
The stores in which I can buy X brand have a pleasant shopping environment	1	2	3	4	5
The employees at the stores in which I can buy X brand are knowledgeable about fashion trends	1	2	3	4	5
My opinion about X's TV advertising is very high	1	2	3	4	5
The print media ad campaigns for X seem very expensive, compared to campaigns for competing brands	1	2	3	4	5
I think X brand is intensively advertised in print media	1	2	3	4	5
In general, I like the web advertising campaigns for X brand	1	2	3	4	5

Section 4

Please put a √ against appropriate response

Your Gender	Male	
	Female	
Your Age (years)	18 – 30	
	31 – 40	
	40 – 50	
	51 – 60	
	60-70	
Your Education	High School	
	Graduates	
	Post-Graduates	
	Others	
Your Marital Status	Single	
	Married with Kids	
	Married no Kids	
	Others	
Your Household Annual Income (in INR)	upto10 lakhs	
	between 10 lakhs-20 lakhs	
	between 20lakhs-30 lakhs	
	more than 30 lakhs	
Your City	Delhi	
	Gurgaon	
	Noida	
	Faridabad	
	Chandigarh	

Thank you for your cooperation.

GLOSSARY OF TERMS

Alpha if Item Deleted:This represents the scale's Cronbach's alpha reliability coefficient for internal consistency if the individual item is removed from the scale.

Alpha:The Cronbach's alpha coefficient of internal consistency. This is the most frequently used Cronbach's alpha coefficient.

Brand Association: Anything linked in memory to a brand.

Brand Awareness: It refers to the strength of a brand's presence in consumers' minds . Brand awareness consists of brand recall and brand recognition.

Brand Equity: It is the difference in consumer choice between the focal branded product and an unbranded product given the same level of product features. This definition deals with the comparison of two products that are identical in all respects except brand name.

Brand Loyalty: It refers to "a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour".

Convergent Validity: It is synonymous with criterion validity and with correlational analysis, and is one way of establishing construct validity.

Corrected Item-Total Correlation: This is the correlation of the item designated with the summated score for all other items.

Cross-Sectional Study: A research study for which data are gathered just once (stretched though it may be over a period of days, weeks, or months) to answer the research question.

Dependent Variable: It is a variable of primary interest to the study, also known as the criterion variable.

Discriminant Validity: It is another way of testing construct validity. A measure has discriminant validity when it has a low correlation with measures of dissimilar concepts. In other words, discriminant validity reflects the extent to which the constructs in a model are different.

Endogenous Latent Construct: A latent, multi-item equivalents to a dependent variable. It is a construct that is affected by other constructs in the model.

Exogenous Latent Construct: A latent, multi-item equivalent of an independent variable. It is a construct that is not affected by any other construct in the model.

Independent Variable: A variable that influences the dependent or criterion variable and accounts for (or explains) its variance.

Inter-Item Correlations: This is descriptive information about the correlation of each item with the sum of all remaining items.

Item means: These are summary statistics for the individual item means.

tem Variances: These are summary statistics for the eight individual item variances.

leasurement model: It estimates the unidimensionality, reliability and validity of each onstruct.

'arsimony: A model high in parsimony (simplicity) is a model with relatively few arameters and relatively many degrees of freedom. On the other hand, a model with many arameters and few degrees of freedom is said to be complex or lacking in parsimony.

'erceived quality: It is the consumer's subjective judgment about a product's overall xcellence or superiority.

'ilot Study: The study conducted to detect weaknesses in design and instrumentation and to rovide proxy data for selection.

're-testing: A trial run with a group of respondents for the purpose of detecting problems in he questionnaire instructions or design, whether the respondents have any difficulty nderstanding the questionnaire or whether there are any ambiguous or biased questions.

)uestionnaire: A pre-formulated written set of questions to which respondents record their nswers, usually within rather closely defined alternatives.

leliability: The extent to which research findings would be the same if the research were to e repeated at a later date, or with a different sample of subjects.

Sample: A sample is a subset of the population, comprising some members selected from the opulation.

Scale Mean if Item Deleted: Excluding the individual item listed, all other scale items are summed for all individuals and the mean of the summated items is given.

Squared Multiple Correlation: This is the predicted Multiple Correlation Coefficient squared obtained by regressing the identified individual item on all the remaining items.

Structural Equation Modelling (SEM): A multivariate technique that combines aspects of multiple regression (examining dependence relationships) and factor analysis (representing unmeasured concepts-factors with multiple variables) to estimate a series of interrelated dependence relationships simultaneously.

Structural Model: It involves estimating the relation between independent (exogenous) and dependent (endogenous) variables.

Theoretical Framework: A collection of theories and models from the literature which underpins a positivistic research study. It is a conceptual model of how the researcher theorises or makes logical sense of the relationships among the several factors that have been identified as important to the problem. The theoretical framework may be referred to as a conceptual framework or as the research model. These three terms are used interchangeably in this research.